

May 2007 *MoneyMinute* – How to Put a Freeze on your Credit

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By now, all of us are familiar with the risk of identity theft, and most have taken at least some steps to prevent it. The major ones:

- Shredding documents with personal information, especially financial statements. (Putting it in the recycling bin does not count as shredding).
- Installing antivirus, anti-spyware and firewall software on your computer, and set it for automatic updating.
- Never respond to any emails or phone calls that ask you to “verify your password” or otherwise trick you into revealing critical information. If you get one of these fraudulent “phishing” emails or calls and you think it might be real, call your bank, etc. to double-check.

It’s also vital to protect your credit. Credit card theft gets the most attention. But a much more serious risk is a thief opening credit card accounts or even getting bank loans in your name.

If your credit card number is stolen, usually it takes a few phone calls to get the problem straightened out. But if a bad guy (or gal) starts opening new accounts in your name, it takes a lot more time to undo the damage. You’ll have to *prove* that you weren’t the one who opened that Best Buy account and bought a huge plasma-screen TV -- or worse, that you weren’t the one who took out that line of credit on your house. Providing proof takes a lot more time and energy than getting rid of bad charges on your real accounts.

So the object is to stop the bad guys before they get started. The most effective way to do this is put a freeze on your credit file.

A credit freeze blocks all access to your credit file. Nobody can open an account in your name, and nobody can check your credit report. A freeze is much more powerful than the more-familiar fraud alert, which is simply a *request* that you be notified if someone applies for credit in your name. Banks and stores aren’t required to notify you, and quite often they don’t.

The key drawback of a credit freeze (also called a security freeze) is that it not only blocks bad guys from getting credit in your name, but it freezes you out, too – unless you submit a request to lift it about three days in advance. Even if you don’t plan to take out a mortgage or apply for a credit card, there are other reasons for credit checks, such as applying for a job or an apartment, increasing a credit card limit, or signing up for cell phone service, among others.

The credit-reporting agencies don’t like it when consumers freeze their credit, so they make you jump through a few hoops, such as requiring you to send a signed letter by

certified mail to each of the Big Three: Experian, Equifax and Transunion. See http://www.fightidentitytheft.com/legislation_california_sb168.html for instructions.

In California, we're fortunate that state law requires the credit agencies to let us freeze our credit. Too bad for residents of the other 20+ states that don't.

If you expect to need access to credit soon, a credit freeze is less practical. In that case, consider paying for a credit-monitoring service with one of the three major credit reporting agencies. You can set up email alerts to tell you when someone has applied for credit in your name. For couples, each needs to sign up separately.

Another consideration is expense. A credit freeze costs a one-time \$10 fee per credit agency, then a similar fee to temporarily lift it. There's no fee for recent identity theft victims. A full credit-monitoring service that tracks all three agencies for you costs up to \$15 per month. Insurance companies are also starting to offer monitoring as part of identity theft coverage, as does Prepaid Legal Services.

No matter what you do, make sure to check your credit report for mistakes and fraud at least once a year. You can get one free report per year from each of the Big Three at <https://www.annualcreditreport.com>.

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