

Introduction

Our company, eCreditFreeze, LLC, is writing in response to the Federal Trade Commission's ("FTC") request for comments on the subject of Credit Report Freezes. In an effort to answer some of the questions posed by the FTC, our company commissioned a survey, which is included as Attachment A to this response.

eCreditFreeze, LLC is a leading provider of low cost and affordable identity ("ID") theft prevention services. We are a consumer-oriented company dedicated to helping our customers protect their identities and credit through the service we offer and the identification of other free or low cost identity protection resources. We have factored in over 200 plus variables dictated by state laws and the three major U.S. credit agencies to provide each customer with a personalized customized credit freeze information kit. eCreditFreeze, LLC is headquartered in The Woodlands, Texas. Please see our website at www.eCreditFreeze.com for additional information.

Our survey focused on a few of the specific topic areas requested by the FTC. The survey was designed to answer the following questions:

- 1) Are people actively taking precautions to protect their identities and if so, by what means?
- 2) Are people aware of their ability to place a freeze on their credit reports?
- 3) By making them aware of this ability to place a freeze on their credit reports, how likely are they to perform this activity?
- 4) If they are not likely to freeze their credit reports, what is stopping them from doing so?

Executive Summary

51% of survey participants did not know they had the ability (or the right under state law or the Credit Report Agency ("CRA") voluntary compliance program) to place a freeze on their credit files. When informed of this capability, 67% of survey participants responded that they were somewhat or very likely to place a freeze on their credit files. The CRAs should do more to help the consumer understand their rights and alternatives. The CRAs should not bundle their credit freeze service with their other consumer ID theft prevention products (which charge an ongoing monthly fee typically costing \$10 - \$15), but should offer it as a stand alone online service for a one-time reasonable fee per transaction. A transaction would include placing the initial freeze, or temporarily or permanently lifting the freeze. 6% of our survey participants reported being a prior victim of "new account" fraud. This is surprisingly high when compared to the 0.8% percent reported in the FTC – 2006 Identity Theft Survey Report published in November 2007 prepared by Synovate. The FTC-sponsored survey looked at a one year period (2006); our survey asked if they were ever a victim of this type of fraud. That and our limited survey sample when compared to the FTC-sponsored survey may account for much of the large difference. "New Account" ID fraud is a significant problem and a credit freeze is a powerful weapon against this type of criminal activity. In summary, the credit freeze process should be streamlined, advertised, and made available at a reasonable price to the consumer. If the CRAs are unable to do this quickly and voluntarily, then legislative action enhancing or amending the Fair Credit Reporting Act ("FCRA") should be pursued similar to the action taken that now allows consumers access to free annual credit reports.

One other recommendation is to institute penalties for creditors who issue new credit to consumers without first checking the consumer's credit files for a credit freeze or fraud alert. If a freeze exists, no new credit should be issued. If a fraud alert exists, acceptable precautions must be taken prior to issuing new credit.

Paper and Survey Background/Results

This paper provides answers to some of the FTC's questions. It then provides our comments and recommendations based on survey responses, discussions with customers, experience in this business, and industry statistics.

The 10 question survey was conducted over a three week period in February 2008. There were 100 respondents. Some questions had sub questions. Most questions were multiple choice and a few were open ended.

The first four questions asked about people's experience with identity theft. Highlights from these questions are as follows:

- 1) 55% of respondents underestimated by half the number of ID theft victims in the U.S. annually. Their average response for this group was 4 million victims per year. This compares to the approximate 8.3 million victims per year as stated in the above mentioned FTC survey. The remaining respondents were either right on or had chosen the highest available answer in the survey.
- 2) 33% of the respondents had been a victim of identity theft at some point in their past.
- 3) Of those 33 respondents, six respondents had been a victim of new account fraud, four respondents had been victims of non-credit card fraud, and 24 respondents had been victims of credit card fraud.
- 4) 61% of the respondents knew someone (themselves included) who had been a victim of identity theft.

Survey question #5 was the heart of the study. It asked respondents to rate their personal practices with protecting their identity. There were 7 practices, and people rated themselves on a 3 point scale. 92 of the 100 respondents answered this question. The results are displayed in the following table.

	Familiar, practice regularly	Familiar, do not practice regularly	Not Familiar
Guarding personal information on the phone	85.9% (79)	13.0% (12)	1.1% (1)
Shredding personal information	64.1% (59)	33.7% (31)	2.2% (2)
Reviewing monthly bank/credit card statements	87.0% (80)	13.0% (12)	0.0% (0)

Analyzing your Credit Reports	45.7% (42)	51.1% (47)	3.3% (3)
Instituting Fraud Alerts	21.7% (20)	42.4% (39)	35.9% (33)
Implementing Credit Report Freezes	9.8% (9)	42.4% (39)	47.8% (44)
Protecting your on line information	66.3% (61)	22.8% (21)	10.9% (10)

One can draw their own conclusions from this data. Our conclusion is that people use good practices in taking precautions in guarding their identities in some areas such as reviewing their monthly bank/credit card statements (87%) and phone disclosures (86%). They are somewhat less diligent when it comes to analyzing their credit reports regularly (46%); although 97% know this tool is available. When it comes to instituting Fraud Alerts and Credit Freezes, people are not taking advantage of these tools. In the case of credit freezes, 48% of respondents were not familiar with this capability.

Question #6 asked the following: Are you aware that there is a service (credit report freezing) generally costing between \$0 and \$10 per each of the three major credit agencies which makes it almost impossible for someone to fraudulently open up a new line of credit in your name? The responses were:

- Very Aware (26%)
- Somewhat Aware (23%)
- Not Aware (51%)

Question #7 asked the following: How likely are you to freeze your credit report?

- Very Likely (20%)
- Somewhat likely (47%)
- Not likely (33%)

Question #7 also had an open ended question which asked if they were not likely, why were they not likely. 21 people responded to this question. Answers included the following: not sure how to do it (multiple responses), don't know enough to decide, unfamiliar with the process, poor credit, new credit needed frequently, already use another service, hadn't thought about it, did not know you could until now.

The remaining survey questions asked for price points as to how much people would be willing to pay to use a service which helps them through the credit freeze process and asked for email addresses if they wished to receive a discount for using the eCreditFreeze, LLC service and another email address if they wished to receive the results of this survey.

Survey Conclusions

Based on the responses in this survey, it is pretty clear that 51% of people don't know about their ability to place a freeze on their credit reports. It is also pretty clear that there is a demand for this capability.

Conclusions and Recommendations

- ID theft was the highest volume consumer complaint in 2006 according to the FTC. 8.3 million Americans were victims of identity theft. The number of recorded data breaches in 2007, as published on January 8 2008 by the Identity Theft Resource Center ("ITRC"), were 448 data breaches potentially exposing over 127 million personal records including name, social security number, and in some instances credit information. So, no matter how safe one is personally, the potential for having your personal information compromised is extremely high.
- Although the percent of "new account" identity theft is relatively small, according to the FTC (note, it was substantially higher in our survey), this is the worst type of identity theft for the consumer causing the most costly and time consuming issues. Consumers should be better informed and have a better mechanism for placing a freeze on their credit files. This would address the vast majority of "new account" fraud. In the small percent of cases where "new account" fraud occurs when there is a freeze on one's credit files, the responsibility should be cast on the creditor for issuing credit without first checking an individual's credit report. In the event that "new account" fraud occurs, there should be a penalty, enforced by law, against creditors that open up new lines of credit when there is a freeze on one's credit files.
- All of the CRAs should help inform the public that a credit freeze service is available. It does not appear to be in their best interest to do this as it impacts their business model of selling consumer information to other third parties. We would like to see this done voluntarily, but if it is not done voluntarily, then legislative action is required.
- There should be an easy to use website similar to www.annualcreditreports.com available to all consumers. The free annual credit report website already authenticates an individual; it could be easily modified to allow a consumer to place a freeze on their credit report. Similar to the free annual credit report, it should allow consumers to perform one free credit freeze action per year. This could include an initial freeze, a temporary lift, or a permanent lift. Subsequent actions should be charged at a reasonable fee. We would like to see this done voluntarily, but if it is not done voluntarily, then legislative action is required.
- If the above recommendation is not implemented, the CRAs should, at a bare minimum, immediately remove the arcane roadblock of requiring certified mail for placing a credit freeze. This does nothing for the consumer except add cost, a hassle factor, and aggravation. Transunion has made it easier for the consumer by allowing the consumer to use regular mail in most states. Equifax and Experian still require certified mail in most states. Some of this may be driven by state law and should be preempted by Federal law. We would like to see this done voluntarily, but if it is not done voluntarily, then legislative action is required. In addition, CRAs should offer a credit freeze service unbundled on their website for a reasonable per use fee. We would like to see this done voluntarily, but if it is not done voluntarily, then legislative action is required.

- If a credit issuer issues credit without following the protocol of checking someone's credit file first or following the extra precautions when a fraud alert is placed on a credit report, then the credit issuer should be responsible for reimbursing individuals who become victims to ID theft crimes due to their lax actions for both actual and punitive damages in the event of an identity theft. This is a serious crime costing American business an estimated \$50 billion annually. Much of this is avoidable with the right safeguards in place. This will require legislative action.
- Although credit freezes remain in effect until removed by the consumer in most states, we did see on the TransUnion website page about credit freezes that in some states credit freezes expire after seven years. It appears this is driven by state law. There is no reason to automatically lift a credit freeze after seven years. We recommend that this credit freeze removal be under the control of the consumer in all states.

Appendix A
eCreditFreeze, LLC ID Theft Survey

Survey Page 1



Response Summary

Total Started Survey: 100
Total Completed Survey: 92 (92%)

Select a page to view below or [view all pages](#):

<< #1. ID Theft Knowledge >>

Page: ID Theft Knowledge

1. How many victims of ID theft are there per year in the U.S?


		Response Percent	Response Count
2 Million		16.0%	16
4 Million		20.0%	20
6 Million		19.0%	19
8 Million		19.0%	19
10 Million		26.0%	26
answered question			100
skipped question			0

2. Have you been a victim of ID Theft?

		Response Percent	Response Count
Yes		33.0%	33
No		67.0%	67
answered question			100
skipped question			0


3. If you answered yes to the above question, how was your stolen identity misused. Check all that apply.



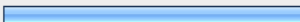
		Response Percent	Response Count
Opened up and used a new line of credit (e.g., credit card, mortgage)		19.4%	6
Used Non-credit card accounts (e.g., cashed checks, withdrew funds from a brokerage account)		12.9%	4
Used Existing credit card accounts to charge purchases		77.4%	24
Other (please specify)			3
answered question			31
skipped question			69

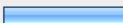

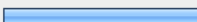

4. Do you know someone (yourself included) that has been a victim of identity theft?		
		Response Percent
Yes		61.0%
No		39.0%
	<i>answered question</i>	100
	<i>skipped question</i>	0

See following page for Survey Page 2 results

Survey Page 2

1. Please rate your personal practices in protecting your identity.				
	Familiar, practice regularly	Familiar, do not practice regularly	Not Familiar	Response Count
Guarding personal information on the phone	85.9% (79)	13.0% (12)	1.1% (1)	92
Shredding personal information	64.1% (59)	33.7% (31)	2.2% (2)	92
Reviewing monthly bank/credit card statements	87.0% (80)	13.0% (12)	0.0% (0)	92
Analyzing your Credit Reports	45.7% (42)	51.1% (47)	3.3% (3)	92
Instituting Fraud Alerts	21.7% (20)	42.4% (39)	35.9% (33)	92
Implementing Credit Report Freezes	9.8% (9)	42.4% (39)	47.8% (44)	92
Protecting your on line information	66.3% (61)	22.8% (21)	10.9% (10)	92
Other practices used to prevent ID Theft 				2
answered question				92
skipped question				8

2. Are you aware that there is a service (credit report freezing) generally costing between \$0 and \$10 per each of the three major credit agencies which makes it almost impossible for someone to fraudulently open up a new line of credit in your name?			
		Response Percent	Response Count
Very aware		26.4%	24
Somewhat aware		23.1%	21
Not aware		50.5%	46
answered question			91
skipped question			9

3. How likely are you to freeze your credit report?			
		Response Percent	Response Count
Very likely		20.5%	18
Somewhat likely		46.6%	41
Not likely		33.0%	29
If not likely, please explain why 			21
answered question			88
skipped question			12

The remaining survey questions asked about price points for assisting with performing credit freezes and for email address. They are not relevant or available for this forum.