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TO THE HOUSE COMMITTEE ON
INTRASTATE COMMERCE

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

FEBRUARY 15, 2017
9:00 AM

TESTIMONY ON HOUSE BILL NO. 651, RELATING TO CONSUMER CREDIT
REPORTING AGENCIES

TO THE HONORABLE TAKASHI OHNO, CHAIR,
AND TO THE HONORABLE ISAAC W. CHOY, VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs (“DCCA”), Office of Consumer Protection (“OCP”) supports the intent of House Bill No. 651, Relating to Consumer Credit Reporting Agencies. My name is Stephen Levins and I am the Executive Director of the OCP.

The OCP is very concerned about the negative impacts identity theft is causing as it continues to plague our society. Annually millions of people are impacted by this growing threat. Children in particular are most vulnerable. In fact, according to the Identity Theft Assistance Center, 1 in 40 families with children under 18 had at least one child whose personal information was compromised.

Child identity theft is one of the worst forms of identity theft because it often goes unchecked and unnoticed for years. A criminal who steals a child's social security number can operate for years with impunity. This is because a family probably won't know that their child's identity has been compromised until they try to obtain a credit card and get turned down because of a long history of unpaid bills that they had nothing to do with.

H.B. 651 seeks to safeguard "protected consumers" (minors or the incapacitated) from such injustices by offering them the same protections as everyone else.

The bill seeks to accomplish this goal in 4 significant ways:

1. It permits a representative of a protected consumer to place a security freeze on the credit record or report of a protected consumer;
2. It establishes protocols that credit reporting agencies must follow in relation to a security freeze;
3. It specifies the written notification that credit reporting agencies are required to provide in relation to security freezes; and
4. It applies specified laws pertaining to standard security freezes to protected consumer security freezes.

At least 29 other states have already passed similar legislation to the one being proposed by this bill. These states include Alaska, Arizona, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Nebraska, New York, North Carolina, Ohio, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin. Children and other minors under the age of 18 in Hawaii deserve the same protections afforded to those on the mainland.

During the 2016 Legislative session, OCP met with representatives from the Consumer Data Industry Association (CDIA) to attempt to resolve its concerns regarding a similar measure involving security freezes for protected consumers, S.B. 2681 (2016). At that time, OCP expressed its misgivings concerning inconsistencies with Hawaii's current security freeze law, Chapter 489P of the Haw. Rev.Stat., as well as with other issues, including, the cost of placing a security freeze, the timeliness of responding to consumer requests, the definition of "protected consumer", and what constituted "sufficient proof of authority". In view of the fact that several of the same issues appear to exist in H.B. 651, OCP believes that it would be in the interest of all if OCP and CDIA were able to continue their dialogue regarding this measure. Consequently, the OCP respectfully suggests that the Committee pass out H.B. 651 with a defective effective date in order to ensure that the interested parties will have adequate time to meet and address their differences regarding this important consumer protection.

Thank you for the opportunity to testify regarding H.B. 651. I am available for any questions that you may have regarding this bill.

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DATE: February 14, 2017

TO: Representative Takashi Ohno
Chair, Committee on Intrastate Commerce

Submitted Via: IACtestimony@capitol.hawaii.gov

RE: **H.B. 651 Relating to Consumer Credit Reporting Agencies**
Hearing Date: Wednesday, February 15, 2017 at 9:00 a.m.
Conference Room: 429

Chair Ohno and Members of the Committee on Intrastate Commerce:

We submit this testimony on behalf of the Consumer Data Industry Association (CDIA). Founded in 1906, CDIA is the international trade association that represents more than 200 data companies. CDIA members represent the nation's leading institutions in credit reporting, mortgage reporting, fraud prevention, risk management, employment reporting, tenant screening, and collection services.

CDIA **supports** the intent of H.B. 651, but would suggest amendments.

Consumer reporting agencies work hard to prevent ID theft of all people, especially minors. Since credit bureaus do not knowingly create credit files for minors, hardly any minors will have existing credit files. If this bill were to pass as drafted, credit files would have to be created for minors, simply for the purpose of freezing them. CDIA members oppose this, because it could ultimately lead to more fraud issues.

Maryland was the first state to pass a law to specifically protect minors from credit fraud, and since then, a total of 21 states have enacted similar laws based upon the Maryland model. We would encourage Hawaii to follow this model, which creates a new term of art called a "record" and then requires the credit bureaus, on request of a parent or guardian, to freeze the record to prevent the creation of credit files for minors (and people who are mentally diminished).

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CDIA worked on the Maryland law, which was supported by other stakeholders involved, and believes that this law could work in Hawaii as well to protect minors, and at the same time avoid the potential for more fraud by the creation of new credit files.

Some of our concerns regarding this measure include the following:

- 1) Page 5, lines 14-17: Consumer reporting agencies should not be required to provide advance notice of the removal of credit freeze for minors since the only way a freeze can be removed is if the child or her representative comes to the CRA seeking removal.
- 2) Page 6, lines 12-14: “Negative” databases should not be required because these companies and databases are not the source of credit fraud.
- 3) Page 9, line 8: The effective date of this measure should be January 1, 2018. Consumer reporting agencies should not be required to provide advance notice of the removal of credit freeze for minors since the only way a freeze can be removed is if the child or her representative comes to the CRA seeking removal.

We would note that last year during the 2016 Legislative session, we worked collaboratively with the Office of Consumer Protection on a very similar measure. The resulting efforts of our discussions were memorialized in the enclosed copy of SB 2681, S.D.1, H.D.1 (2016 session). We respectfully request that this language to be adopted in place of the language in the current bill. We would also request an effective date of January 1, 2018 in order to allow CDIA’s member companies to implement processes to handle minor security freezes in Hawaii.

Thank you for the opportunity to submit testimony on this measure.