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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Wednesday, February 21, 2018
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 2342, H.D. 1, RELATING TO CONSUMER CREDIT REPORTING AGENCIES.

TO THE HONORABLE SYLVIA J. LUKE, CHAIR, AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on H.B. 2342, H.D. 1, Relating to Consumer Credit Reporting Agencies. My name is Stephen Levins, and I am the Executive Director of the Department’s Office of Consumer Protection (“OCP”). The Department strongly supports this administration bill, which is similar to S.B. 2259, S.D. 1.

This bill allows a consumer reporting agency to place, temporarily lift, or remove a security freeze on the credit report of a consumer, protected consumer, or protected consumer’s representative (collectively, the “consumer”), without requiring the consumer to first meet certain conditions. H.D. 1 amends H.B. 2342 by: (1) removing the provision allowing consumers to request a security freeze through electronic mail; (2) preserving the consumer credit reporting agency’s ability to lift a security freeze when the freeze was executed in reliance of material representation by the consumer; and (3) changing the effective date to July 1, 2050, to promote further discussion.

Recent events involving security breaches of databases containing sensitive identifying information, such as social security numbers and addresses, have shown that repositories of consumers' personal information continue to be at high risk of infiltration by identity thieves. On July 29, 2017, consumer reporting agency Equifax discovered that criminals exploited a website vulnerability to gain access to names, social security numbers, birth dates, addresses, and driver's license numbers. In addition, criminals accessed the credit card numbers of 209,000 U.S. consumers and documents containing personal identifying information of approximately 182,000 U.S. consumers. This single cybersecurity incident potentially impacted 143 million U.S. consumers, of which approximately 449,982 were Hawaii consumers.

Although some consumers have taken steps to protect their personal information, many consumers have not requested that consumer reporting agencies place security freezes on their credit reports due to the associated costs and inconvenience. Currently, a consumer wishing to place a security freeze must send a request and payment of the \$5.00 fee to each major consumer reporting agency: Equifax, Experian, and TransUnion. A security freeze means the consumer's credit file cannot be shared with potential creditors, such as banks or mobile carriers. Therefore, if a consumer wants to open a new credit card account while a security freeze is in place, the consumer must contact and pay \$5.00 to all three consumer reporting agencies to temporarily lift the security freeze. After the creditor has obtained information from the consumer's credit file, the consumer must reinstate the security freeze by repeating the earlier steps. In this scenario, the consumer potentially pays \$45.00 in fees to the credit reporting agencies.

SECTIONS 3 and 4 of this bill amend Hawaii Revised Statutes ("HRS") sections 489P-3 and 489P-3.5 by eliminating: (1) the \$5.00 fee a consumer reporting agency charges a consumer to place, temporarily lift, or remove a security freeze; and (2) the requirement that a consumer send by certified mail proof of identity theft, such as a report from a law enforcement agency, and the security freeze request. This bill also expands the methods by which a consumer can submit the security freeze request, including first-class mail, telephone, and secure website.

The Office of Consumer Protection and representatives of the Consumer Data Industry Association (“CDIA”) met recently to discuss our differences on this measure and agreed to the amendments in H.D. 1 that removed the provision allowing consumers to request a security freeze by electronic mail and restoring the consumer reporting agency’s ability to lift a security freeze when the freeze was executed due to a material misrepresentation of fact by the consumer. Additionally, OCP and CDIA agreed to an effective date of July 1, 2018.

As the number of identity thefts and security breaches continues to rise, consumers should be able to place, temporarily lift, or remove security freezes on their credit reports without being charged fees or needing to provide consumer reporting agencies with proof of identity theft by certified mail to obtain a fee waiver.

Thank you for the opportunity to testify in strong support of this administration bill, and we ask for your favorable consideration.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 21, 2018

H.B. 2342, H.D. 1 – RELATING TO CONSUMER
CREDIT REPORTING AGENCIES

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the intent of H.B. 2342, H.D. 1 which eliminates the fee charged by a consumer reporting agency to place, lift, or remove a security freeze and allows a consumer to request a security freeze at any time. The passage of this measure is increasingly important, especially in light of the 2017 Equifax breach that exposed over 145 million U.S. social security numbers, driver's license numbers and personal information. Consumers should not be mandated to pay a fee, even a nominal fee, to freeze their credit reports.

Thank you for the opportunity to testify in support of H.B. 2342, H.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director



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House of Representatives
Committee on Finance
Wednesday, February 21, 2018
2:00 p.m.
Conference Room 308

To: Representative Sylvia Luke, Chair
Re: H.B. No. 2342, H.D. 1., Relating to Consumer Credit Reporting Agencies

Dear Chair Luke, Vice-Chair Cullen and Members of the Committee,

My name is Kerry M. Komatsubara and I am the Advocacy Director for AARP Hawai'i. AARP is a membership organization of people age fifty and over with about 150,000 members in Hawai'i. AARP advocates for issues that matter to Hawaii families, including the high cost of long-term care; access to affordable, quality health care for all generations; and serving as a reliable information source on issues critical to people over the age of fifty.

AARP Hawai'i strongly supports H.B. No. 2342, H.D. 1., which prohibits a consumer credit reporting agency from charging a fee for placing, lifting or removing a security freeze on a consumer's credit report or for placing or removing a security freeze on a protected consumer's credit report or records.

AARP Fraud Watch Network Ambassador Frank Abagnale Jr. helped pass the first law eliminating credit freeze fees in his home state of South Carolina. You may know of him because his autobiography was made into the movie *Catch Me if You Can* by director Steven Spielberg. As a teenager, Abagnale was an identity thief who stole millions of dollars from airlines and banks. He's since turned his life around and became a consultant to the FBI on fraud and is a top expert on identity theft. Abagnale came to Hawaii last year to help consumers here fight back against fraud. His visit came just after the credit reporting agency Equifax reported that information on millions of consumers was stolen from their data files.

Abagnale and other fraud experts say that one of the best ways to protect yourself against identity theft is to freeze your credit. A credit freeze enables you to know who wants access to your credit information and to approve the release of your credit report. That gives you a say in who can see your information. It will only be released to companies that you approve. So if you want to apply for a loan, you can unfreeze your credit so the loan officer can see it. But if an identity thief tries to use your credit report to open a credit card in your name, you can stop it. Attached is a copy of Mr. Abagnale's written testimony which he has asked us to submit for your review and consideration.

Hawaii law allows credit reporting agencies to charge \$5 to freeze and unfreeze your credit report. There are five credit reporting agencies so the fees can add up. AARP Hawaii believes that your credit report is your information. Credit reporting agencies already make money selling your information. They shouldn't be able to make more money from you if you want to protect that information.

Thank you for the opportunity to testify in support of H.B. No. 2342, H.D. 1.

Real Possibilities



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GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 20, 2018

TO: Representative Sylvia Luke
Chair, Committee on Finance
Submitted Via Capitol Website

RE: **H.B. 2342, H.D.1 - Relating to Consumer Credit Reporting Agencies**
Hearing Date: Wednesday, February 21, 2018 at 2:00 p.m.
Conference Room: 308

Dear Chair Luke and Members of the Committee on Finance:

We offer this testimony on behalf of the Consumer Data Industry Association (CDIA). Founded in 1906, CDIA is the international trade association that represents more than 100 data companies. CDIA members represent the nation's leading institutions in credit reporting, mortgage reporting, fraud prevention, risk management, employment screening, tenant screening and collection services.

CDIA submits **comments** regarding H.B. 2342, H.D.1 which eliminates the fee charged by a consumer reporting agency to place, lift, or remove a security freeze requested by a consumer, protected consumer, or a protected consumer's representative, and allows a consumer to request a security freeze at any time.

CDIA appreciates the amendments made in the H.D.1 version of the bill, which eliminated the use of encrypted e-mail for the purpose of implementing a security freeze, and restored the ability to remove a freeze in the event of fraud. Although we have concerns about eliminating the fees for security freezes, we do not take a position regarding the proposal in this bill to make security freezes free. With the amendments made, we remain neutral regarding the requirements proposed in the bill.

Although the bill currently has a defective date, we would note that if the bill remains in its current form we would ask for an effective date of July 1, 2018 pursuant to our discussions with the Office of Consumer Protection.

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

HB-2342-HD-1

Submitted on: 2/16/2018 7:25:26 PM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Patrick Karjala	Individual	Support	No

Comments:

Dear Honorable Chairs Sylvia Luke, Ty Cullen, and Representatives of the House Finance Committee,

I am writing today to voice SUPPORT for HB2342 HD1 with the following CHANGES:

- Amend the effective date to be January 1st, 2019. This is supported by prior testimony submitted by the Consumer Data Industry Association.

It is imperative that we act quickly to allow consumers to freeze their credit reports in light of additional news reports on February 12th that the Equifax security breach leaked more data than previously noted, including phone numbers and email addresses which can be used to further compromise consumer's credit (<https://www.cnbc.com/2018/02/12/the-equifax-hack-is-way-worse-than-consumers-knew.html>). The only reliable method to prevent the abuse of one's credit report is to freeze it with the Credit Reporting Agencies, which currently profit off of this practice, and are supposed to have protected the consumer's private information in the first place.

Please support consumers and help us to more easily protect our credit reports by allowing for free security freezes. Please say YES to HB2342 with the above changes.

Sincerely,

Patrick Karjala
Honolulu, HI 96817

HB-2342-HD-1

Submitted on: 2/16/2018 11:08:31 PM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
lynne matusow	Individual	Support	No

Comments:

I am in strong support of this bill. Consumers, not the credit reporting companies, should be protected at all costs. Too bad you are not able to get the company, I believe it is Equifax, that was hacked to remove all records from consumers who no longer want to be in their files.

lynne matusow

HB-2342-HD-1

Submitted on: 2/17/2018 8:45:29 AM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrew Lum	Individual	Support	No

Comments:

HB-2342-HD-1

Submitted on: 2/17/2018 10:44:11 AM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Randolph Hack	Individual	Support	No

Comments:

House of Representatives

Committee on Finance

Wednesdy, February 21, 2018

2:00 PM Conference Room 308

Dear Chair Luke, Vice-Chair Cullen, and Committee Members:

My name is Randolph Hack, and I am an Advocacy Volunteer for AARP Hawaii. I strongly support HB 2342 HD1, which prohibits a consumer reporting agency from charging a fee for placing, lifting, or removing a security freeze on a consumer's credit report or for placing or removing a security freeze on a protected consumer's credit report or records. **This is a non-budget item!**

South Carolina passed a law eliminating credit freeze fees due to efforts of AARP Fraud Watch Network Ambassador Frank Abagnale, Jr. Mr. Abagnale is a reformed identity thief who stole millions of dollars from airlines and banks. His life story Catch Me If You Can was made into a movie directed by Steven Spielberg. He turned his life around and became an FBI consultant on fraud and is a top expert on identify theft. Abagnale came to Hawaii last year to help consumers combat fraud. He came just after the credit reporting agency Equifax reported that information on over a hundred million consumer was stolen in a massive hack.

Abaganale and other fraud experts state that on of the best ways to protect yourself against identity theft is to freeze your credit. This enables you to know who wants access to your credit information and approve the release of your credit report. This gives you a say in who can see your information; it will only be released to companies that you approve. So if you want to apply for a loan, you can unfreeze your credit so the loan officer can see it. However, if an identity thief tries to use your credit report to open a credit card in your name, you can block it.

Hawaii law allows credit reporting agencies to charge \$5.00 to freeze and unfreeze your credit report. There are five credit reporting agencies so the fees can mount up. **Your**

credit report is your information. These agencies already make money selling your information. It is unfair that they should make more money from you if you seek to protect your information.

Thank you for the opportunity to testify in strong support of HB2342 HD1.

HB-2342-HD-1

Submitted on: 2/17/2018 11:54:04 AM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Taurie Kinoshita	Individual	Support	No

Comments:

Consumers need to be protected from egregious additional charges. After being the victim of a theft, we should not have to pay more. I support HB2342 HD1. Thank you for your consideration.

HB-2342-HD-1

Submitted on: 2/17/2018 4:33:40 PM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kirk Johnson	Individual	Support	No

Comments:

Please support this bill. Millions of people were put at risk of identity fraud due to the security breach of Equifax. Credit tracking companies should not profit because of their mistakes. While Equifax did allow people to freeze their credit for free the other companies did not. It shouldn't be on the burden of those whose privacy is violated to pay, because of a companies mistake. I hope that you will pass this bill and give some financial relief to people in this situation.

TO: House [Committee On Finance](#)
Rep. Sylvia Luke, Chair

DATE: Wednesday, February 21, 2018

RE: HB 2343, HD1, RELATING TO CONSUMER CREDIT REPORTING AGENCIES

Thank you for the opportunity to submit written testimony in STRONG SUPPORT of HB 2343, HD1, Relating to Kupuna Care. My name is Linda Dorset and I am a resident of Wailuku, Maui.

I believe a credit freeze is one of the best tools to protect oneself from identity theft; but credit reporting agencies can charge up to \$5 in Hawaii every time you want to freeze or unfreeze your credit. (In other words, telling the credit reporting agencies not to release your credit report unless you give permission). If you want to give permission to release your credit report when you apply for a loan or a new credit card, you can unfreeze it. This way you can keep track of who has access to your credit information.

I feel that the agencies, who already make money from selling my information, should not profit when I want to protect myself.

Mahalo

LATE

HB-2342-HD-1

Submitted on: 2/20/2018 4:21:38 PM

Testimony for FIN on 2/21/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
William Meinke	Individual	Support	No

Comments:

Individuals should not be required to pay fees to credit reporting agencies to place, lift, or remove a security freeze. Full stop.