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TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Wednesday, January 31, 2018
9:30 AM

TESTIMONY ON SENATE BILL NO. 2769 – RELATING TO CONSUMER CREDIT REPORTING AGENCIES.

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on S.B. 2769, 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. The Department strongly supports this administration bill, which is a companion to H.B. 2342.

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.

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, secure website, and secure email connection.

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.



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Senate Committee on Commerce, Consumer Protection & Health
Wednesday, January 31, 2018
9:30 a.m.
Conference Room 229

To: Senator Rosalyn Baker, Chair
Re: S.B. No. 2769, Relating to Consumer Credit Reporting Agencies

Dear Chair Baker, Vice-Chair Tokuda 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 S.B. No. 2769 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.

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 S.B. No. 2769.

AARP
Real Possibilities



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
The Senate
Committee on Commerce, Consumer Protection, and Health


Testimony by
Hawaii Government Employees Association

January 31, 2018

S.B. 2769 – RELATING TO CONSUMER
CREDIT REPORTING AGENCIES

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the intent of S.B. 2769 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 S.B. 2796.

Respectfully submitted,

Randy Perreira
Executive Director

Senate Committee on Commerce, Consumer Protection & Health
Wednesday, January 31, 2018
9:30 a.m.
Conference Room 229

To: Senator Rosalyn Baker, Chair
Re: S.B. No. 2769, Relating to Consumer Credit Reporting Agencies

Dear Chair Baker, Vice-Chair Tokuda and Members of the Committee,

My name is Salvador Tinajero, and I am a member of AARP Hawai'i. I am a resident of Hawai'i living in Kaneohe, on the island of Oahu. As a victim of ID Theft, I strongly support S.B. No. 2769, which prohibits a consumer credit reporting agency from charging a fee for placing, lifting or removing a security freeze on an individual's credit report or for placing or removing a security freeze on an individual's credit report or records.


I am currently employed as a Paralegal in Honolulu. As a Paralegal, I have provided assistance to clients with the prevention of ID Theft or the recovery process for those victimized by ID Theft.

During my endeavor with the long and painstaking process of recovering from ID Theft, I gained valuable knowledge and understanding about the administrative burdens, requirements and difficulties encountered during the recovery process. One of the issues was placing a fraud alert or security freeze as it's called today, with each of the credit reporting agencies. Later, after the recovery from victimization, it would be necessary to lift the credit freeze in order to allow a creditor access to my credit history which would enable their justification to approve or disapprove the requested loan or credit.

The fees associated with the placement or release from a fraud alert or credit freeze, seemed unnecessary and unfair. After all, was I not the victim here? Having to pay any amount to a credit reporting agency to place a fraud alert or credit freeze on my information seemed unreasonable, yet necessary.

Currently State law does not prohibit credit reporting agencies from charging a fee to place a fraud alert or credit freeze on an individual's credit report. The additional fees to place a credit freeze, is unjust and unnecessary since the credit reporting agencies are compensated by other entities requesting credit information on an individual, and it is the main purpose why credit reporting agencies gather credit historical information on individuals in the first place.

I urge you to favorably consider passing S.B. No 2769, so that other victims in Hawai'i will not have the burden of paying additional fees to protect access to an individual's credit report history. Mahalo nui loa for the opportunity to testify in support of S.B. No. 2769


Salvador Tinajero
47-147 Hui Oo Place
Kaneohe, HI 96744

SB-2769

Submitted on: 1/26/2018 4:06:21 PM

Testimony for CPH on 1/31/2018 9:30:00 AM

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

Comments:

After the Experian issue I had to put a freeze on all my accounts with all the credit reporting agencies, which I had to pay for, and if I ever want to unfreeze them I have to pay that as well. I wouldn't need to freeze or unfreeze my accounts if they had secured my information in the first place. Therefor I should have to pay money for their error. Other states have laws that credit reporting companies can't charge fees for freezing and unfreezing your account and I think it is only fair given last years mishap that we have that here in Hawaii as well.

SB-2769

Submitted on: 1/26/2018 11:27:48 PM

Testimony for CPH on 1/31/2018 9:30:00 AM

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

Comments:

I support SB 2769. It should be free to place and lift security freezes. Victims should not have to pay for protection when their information has been stolen. Thank you for your consideration.

SB-2769

Submitted on: 1/27/2018 11:37:17 AM

Testimony for CPH on 1/31/2018 9:30:00 AM

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

Comments:

In 2017, the Credit Reporting Agency (CRA) Equifax's security was breached. This resulted in millions of consumer's personal information being released into the hands of hackers and criminals. This information can be used to apply for a credit card, loan, and otherwise damage a consumer's credit.

The only recourse that completely prevents this is to place a Security Freeze with each of the three credit reporting agencies. This requires the consumer to select who they may release their credit report to, using a specialized password. However, currenty Hawaii State Law allows the CRAs to charge a \$5 fee for:

- Temporarily lifting a Security Freeze
- Permanently lifting a Security Freeze
- Changing the user's password

These are the same agencies charging a fee that *should not have lost the consumer's private information in the first place.*

Please help to protect Hawaii's consumers and yourselves by passing SB2769 as is, unmodified, through your committee, and removing the ability for CRA's to charge this fee for Security Freezes.

The information for hackers to take advantage of the indiviual consumer is now out there, and be forever. Give us the ability to protect ourselves in perpetuity, without cost.

Thank you,

Patrick Karjala

To: Senate Committee on Commerce, Consumer Protection and Health,
Senator Rosalyn Baker, Chair

Date: January 29, 2018

Re: SB 2769, Relating to Consumer Credit Reporting Agencies

Dear Chair Baker, Vice-Chair Tokuda, and Members of the Committee:

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of SB 2769, Relating to Consumer Credit Reporting Agencies.

My name is Chalintorn N. Burian, Ph.D. and I am a retiree. I live in Paauilo-Mauka on the Big Island. The passage of this Bill is vital as:

The Bill 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.

As a member of Honokaa Seniors Club on the Big Island, I have often heard from other seniors about frauds or fraud attempts they have experienced. 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.

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. This can become large amount that seniors cannot afford to pay. I believe that anyone's credit report is his/her information. Credit reporting agencies already make money selling this information. They shouldn't be able to make more money from him/her if one wants to protect that information.

I urge you to support caregivers by voting **YES** on SB 2769. Mahalo!

Chalintorn N. Burian, Ph.D.

Positive and Productive Aging Consultant.
Paauilo-Mauka, Hawaii District

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SB-2769

Submitted on: 1/29/2018 9:08:41 PM

Testimony for CPH on 1/31/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jean Ishikawa		Support	No

Comments:

I am in full support of SB2769 which will enable consumers to freeze one's credit card without any fees. We should have the right to freeze our credit if we choose. Rather than keep a card dormant whereby someone will have access to it, this would solve any problems of same.

SB-2769

Submitted on: 1/30/2018 8:31:14 AM

Testimony for CPH on 1/31/2018 9:30:00 AM

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

Comments:

SB-2769

Submitted on: 1/30/2018 9:16:06 AM

Testimony for CPH on 1/31/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Brooke		Support	No

Comments:

Dear Chair Rosalyn H. Baker, Vice Chair Jill N. Tokuda, and Members of the Committee on Commerce, Consumer Protection, and Health,

I am writing in SUPPORT of SB2769. Maine has had a law in effect since 2015 that allows consumers to freeze and unfreeze their credit reports for free. Residents of South Carolina and Indiana also benefit from such a law; South Carolina since 2008, and Indiana since 2007.

Credit reporting agencies have set up a racket. They collect our financial data without our consent – sensitive data that other parties can and have used to perpetrate identity theft – then charge us to protect that information. Additionally, in Equifax’s most recent security breach, that company waited a whole six weeks before informing consumers, then pushed us to give up our rights to a class-action lawsuit in exchange for a free monitoring service. We – consumers – need protection from these companies’ reprehensible business practices.

We need to be able to freeze and unfreeze our information they collect without fees, and without hassle. Three other states have already instituted such measures. I urge you to pass SB2769.

Thank you for your time.

Sincerely,

Brooke Jones

Honolulu

DATE: January 30, 2018

TO: Senator Rosalyn Baker
Chair, Senate Committee on Commerce, Consumer Protection and Health
Submitted Via Capitol Website

RE: **S.B. 2769 Relating to Consumer Credit Reporting Agencies**
Hearing Date: Wednesday, January 31, 2018 at 9:30 a.m.
Conference Room: 229

Dear Chair Baker and Members of the Committee on Commerce, Consumer Protection and Health:

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 S.B. 2769, 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 has concerns about eliminating the fees for security freezes, but takes no position regarding the proposal in this bill to make security freezes free. However, CDIA respectfully requests that the following amendments which are of concern be made to the bill:

- 1) **Restore the allowance for a security freezes to be lifted if a consumer commits an act of material misrepresentation (delete ~~strikeout on page 4, lines 11-12~~).** If a consumer has committed a fraud against a consumer reporting agency, it would be appropriate for agencies to continue to be able to lift a security freeze. Consumer reporting agencies should not be required to tolerate fraud perpetrated by a malicious consumer.
- 2) **Transition period.** Consumer credit reporting agencies will require time to implement this change into their systems, which will require making internal programming changes and training staff within various departments within the companies. We would respectfully request a delayed implementation date of January 1, 2019 in order to implement the changes proposed in this bill and ensure that the companies can fully comply with these requirements.

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