

# Banking Committee JOINT FAVORABLE REPORT

**Bill No.:** SB-472

AN ACT CONCERNING FEES FOR SECURITY FREEZES ON CREDIT REPORTS, NOTIFICATION OF A CONSUMER'S DECISION TO PLACE OR REMOVE A SECURITY FREEZE ON A CREDIT REPORT AND THE DURATION OF CERTAIN IDENTITY THEFT PREVENTION SERVICES REQUIRED AFTER

**Title:** A DATA BREACH.

**Vote Date:** 3/20/2018

**Vote Action:** Joint Favorable Substitute

**PH Date:** 3/15/2018

**File No.:**

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## **SPONSORS OF BILL:**

Banking Committee

## **REASONS FOR BILL:**

Under current law, credit rating agencies can charge fees to consumers to place or remove a security freeze on a consumer's account. If a consumer places a freeze on their credit at one agency, there is no requirement that the other two credit rating agencies also place a freeze on a consumer's credit. This bill addresses these two issues by prohibiting credit rating agencies from charging a fee to place or remove a security freeze, and also requires credit rating agencies to report to each other if a freeze has been placed on a consumer's account. The bill also increases the amount of identity theft prevention or mitigation services provided after a security breach.

## **SUBSTITUTE LANGUAGE:**

The substitute language includes the following components of HB 5492 concerning consumer credit reports, credit rating agencies, and certain employer credit inquiries:

- Lines 117-119 of HB 5492
- Sections 3 and 4 from HB 5492

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

## **IN RESPONSE TO SB 472:**

### **Attorney General George Jepsen**

Data breaches occur with greater frequency each year, and, when faced with these breaches, consumers find themselves having to pay fees for credit protection services and security freezes. After the Equifax breach, millions of consumers took proactive steps to protect their information, including paying for credit monitoring services and freezing their credit. This bill would help mitigate some of the harms consumers suffer as a result of these data breaches by prohibiting credit rating agencies from charging consumers to place, temporarily lift, and remove security freezes. A number of other states have already moved to prohibit security freeze fees entirely, however Connecticut law currently prohibits such freezes in a limited number of circumstances. "Connecticut residents should not be forced to shoulder these costly fees after their personal information is exposed through no fault of their own".

### **IN RESPONSE TO SB 474 AND HB 5492:**

#### **Natasha M. Pierre, State of Connecticut, Office of the Victim Advocate**

Corporate data breaches cause wide-spread panic among consumers who are exposed to the potential for identity theft through no fault of their own. Those consumers should not have to bear the burden of additional costs

### **NATURE AND SOURCES OF SUPPORT:**

#### **IN RESPONSE TO SB 472:**

#### **Representative Fred Camillo, 151<sup>st</sup> Dist.**

A constituent alerted Rep. Camillo to the practice of credit agencies charging fees to unlock a credit freeze. Rep. Camillo is also concerned about the practice of credit agencies initiating credit freezes without the consent of the consumer. "The obligation to pay a fee to unlock the credit freeze seems both punitive and without merit".

#### **Senator Bob Duff, 25<sup>th</sup> Dist.**

The bill will strengthen our consumer protections by prohibiting credit rating agencies from charging consumers a fee to impose a credit freeze. The bill also requires that the original credit rating agency notify the other two credit rating agencies that a credit freeze has been placed so that those companies place a freeze on the account. This bill will give consumers greater control and flexibility over their credit and will prevent them from being held hostage to fees imposed by credit rating agencies.

#### **Senator Cathy Osten, 19<sup>th</sup> Dist.**

Data collection giants like Equifax, TransUnion and Experian currently charge Connecticut consumers fees to impose credit freezes. This bill would enable Connecticut consumers to exercise an important protective measure at no cost.

### **IN RESPONSE TO SB 474 AND HB 5492:**

#### **Senator Martin Looney, 11<sup>th</sup> Dist.**

Both of these bills are aimed at protecting consumers in the wake of past and possible future security breaches at credit rating agencies. These bills prohibit credit rating agencies from charging consumers a fee to place or remove a security freeze from a consumers account. The maximum amount of these fees is governed by state law, and in Connecticut, total fees for security freezes across the three credit rating agencies come to \$20.64.

**Representative Michael Ferguson, 138<sup>th</sup> Dist.**

Several constituents have contacted Rep. Ferguson regarding the payment of fees to freeze their accounts. Credit rating agencies should not be charging customers fees for freezing their credit reports in the event of a security breach or computer hacking.

**Rick Soucy, Constituent**

Other states have laws that require credit reporting companies to provide free credit freezes and thaws. Connecticut should join these states. Both of these bills provide the relief that is needed from these burdensome fees and will make it easier for many more consumers to protect their identity.

**Representative Scott Storms, 60<sup>th</sup> Dist.**

Most states allow companies to charge a fee for freezing accounts, however both Maine and South Carolina have prohibited states from charging any fee. Given the prevalence of data breaches, Connecticut needs to take steps to allow all of our citizens to access credit protection.

**Nora Duncan, State Director, AARP**

The bill gives consumers not already covered by law greater control of their credit reports. The bill allows consumers to freeze and unfreeze their credit without paying fees to credit reporting agencies, which is an “important step in ensuring that Connecticut consumers are protected from identity theft.” The AARP is also working to help prevent identity theft. They have a volunteer-led program community called the AARP Fraud Watch Network, which trains participants in skills to spot frauds and scams so that they can keep themselves and their families safe.

**John F. Schearer, Jr., Constituent**

Due to the outrageous leak of personal data from Equifax, credit freezes have become necessary for consumers. It is too costly for consumers to freeze and unfreeze their credit.

**NATURE AND SOURCES OF OPPOSITION:**

**IN RESPONSE TO SB 474 AND HB 5492:**

**Sarah Ohs, Manager of Government Relations, Consumer Data Industry Association**

There are already existing protections in place under federal consumer protection laws that should be used as the first line of defense against credit fraud and identity theft. Credit

freezes are an important consumer protection, but are not the best solution for every consumer. The bills require that once a consumer has placed a credit freeze at one credit reporting agency, the agency is then required to notify other agencies of the credit freeze. If agencies are required to share the management of freeze requests, this could introduce the potential for additional security issues and make it more difficult for consumers to manage their credit.

**IN RESPONSE TO HB 5492:**

**National Federation of Independent Businesses (5492)**

NFIB opposes section 3 of the bill because it would eliminate a large screening tool available to small business owners for screening potential employees. Employee theft is one of the most significant threats to the retail industry, and federal law already adequately governs the area of employee protections.

**Eric Gjede, Counsel, Connecticut Business and Industry Association (5492)**

CBIA is mostly in favor of the bill, but had issues with Section 3, which would revoke businesses the right to request an employee or prospective employee's credit history. CBIA believes that credit history is a valuable screening tool for prospective applicants or current employees. They suggested that the committee take into account that many businesses think credit history is a valuable screening tool.

**Reported by: Pamela Bianca**

**03/26/2018**