



STATE REPRESENTATIVE
GARY HEBL
46TH ASSEMBLY DISTRICT

TO: ASSEMBLY COMMITTEE ON CONSUMER PROTECTION
FROM: REPRESENTATIVE GARY HEBL
RE: SUPPORT FOR AB248 – THE “CHILD CREDIT PROTECTION ACT”
DATE: AUGUST 6, 2013

Chairman Thiesfeldt, thank you for authoring and holding a hearing on this commonsense legislation. I would also like to thank Representative Stone for his work on this bill.

AB 248 would provide important protections for minors and vulnerable adults who are susceptible to identity theft. This legislation is modeled on a recently enacted Maryland law and is currently proposed in several other states. This is a consensus bill that also includes several recommendations from the credit ratings industry to help ensure industry compliance by providing consistent regulations between states.

AB 248 allows a parent to place a freeze on their child’s credit record so that someone seeking to open new credit in the child’s name cannot access the child’s credit report. If the child does not have a credit record, the parent may request that a credit reporting agency create a record that prohibits the agency from releasing information about the child to potential creditors until the child turns 16. The bill also allows a guardian to place a freeze on the credit record of an individual under the guardian’s care.

Upon receiving the request from a parent or guardian, a credit rating agency (CRA) must place a freeze on the protected consumer’s credit report so long as the parent or guardian provides sufficient proof of identification and authority to request the freeze as required under the bill. The bill also provides procedures by which CRA’s can remove credit freezes at the request of the protected consumer or their representatives.

This legislation is necessary because minors are a primary target of identity theft. A study published in 2011 by Carnegie Mellon University’s CyLab found more than 10 percent of Social Security numbers belonging to minors surveyed already have an active credit record, 76 percent of which were fraudulent. The study included identity protection scans of over 40,000 children in 2009-2010.¹

Minors are a tempting target for identity theft because they usually have a Social Security number with a clean history and there is no process in place to attach names and birth dates to social security numbers. In addition, this form of identity theft can be particularly damaging because it may go

¹ The study can be found here: <http://www.cylab.cmu.edu/files/pdfs/reports/2011/child-identity-theft.pdf>



STATE REPRESENTATIVE
GARY HEBL
46TH ASSEMBLY DISTRICT

undetected for years until the minor applies for credit on her or his own. The protections contained in AB 248 will also apply to vulnerable adults, who are often targets for identity theft.

The relatively simple provisions contained in AB 248 will provide clear guidelines for parents and guardians to take proactive steps to help protect minors or vulnerable adults from identity theft. These identity theft prevention measures will allow these protected consumers to avoid the long-term, adverse consequences often associated with this crime. In addition, the authors of AB 248 have worked with the credit ratings industry to ensure maximum industry compliance with the bill. In short, this legislation works for both consumers and businesses and deserves your support.

Thank you for your time and consideration.



JEFF STONE
STATE REPRESENTATIVE
82ND DISTRICT

To: ASSEMBLY COMMITTEE ON CONSUMER PROTECTION

From: Representative Jeff Stone

RE: Support of AB 248 – “The Child Credit Protection Act

Date: August 6th 2013

I would like to thank you for the opportunity to testify on behalf of Assembly Bill 248, legislation that would allow parents to protect their minor children’s credit from potential attacks. The details of the draft are tailored to the existing procedures for security freezes in Wisconsin. Nationally, children are 35 times greater than adults to have their identity stolen. One in every 40 households in America has at least one child that has been victimized by ID theft¹. Twenty-seven percent of the children victimized knew the person, and it was either a close family member, extended family member or a friend.

Often times, children do not realize their credit has been compromised until they are applying for college and taking their first steps towards adulthood.

Wisconsin’s current law is a reactionary one; only after a minor or protected individual’s credit is compromised can something be done to reverse the damage. A process that could likely take years to settle. AB 248 proactively allows parents to take steps to preemptively protect their child’s credit. This bill allows a parent to create and immediately freeze a child’s credit record so it cannot be accessed until the child turns 16. The bill also prohibits the credit reporting agencies from releasing the frozen information before that time.

This legislation was originally modeled after recently passed Maryland legislation and would have similar effects in the state of Wisconsin. Other states, such as Florida, Oregon and South Carolina also have pending legislation that uses the

¹ <http://www.jsonline.com/news/opinion/kids-vulnerable-to-identity-theft-gc9betb-200666361.html>

Maryland model. After meeting and working with the Consumer Data Industry Association representatives we wanted to ensure that our bill would be up to their standards and be uniform with the legislation pending in other states so that it would create no undue regulatory burdens while accomplishing all our public policy objectives.

Some of these uniform aspects include a 30 day timeline for setting the freeze, rather than the originally proposed 5 business days. This is needed for minors because of the highly manual nature of the freeze process for them. The Maryland law provides 30 days for the freeze process and similar language is contained in the previously mentioned pending legislation in Florida, Oregon and South Carolina. The bill also provides a 30 day timeline to release the freeze for similar reasons.

Thank you again for your willingness to consider an approach in Wisconsin that will help protect children from credit theft while creating regulations that correspond efficiently with other states.

Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

Testimony – Assembly Bill 248

A study published in 2011 by Carnegie Mellon University's CyLab asked this question: "What would you do if your child was in foreclosure on a home in another state?" Personally, I would be perplexed and then horrified. What *would* I do? What kind of consequences would my child, and my entire family for that matter, face for the rest of our lives?

This study, which included identity theft victims as young as 5 months old, found that more than 10 percent of the minors in their sample population had someone else using their Social Security number. This is 51 times higher than the rate for adults. AB 248 begins to tackle the growing trend of child identity theft as well as the hassles and devastation associated with it.

Here is how it is typically done: cyber thieves take advantage of these vulnerable identities by opening credit card accounts, obtaining licenses, and making hefty purchases such as homes and automobiles, all under the child's information. In addition, identity thieves may use the child's Social Security Number for obtaining fraudulent tax returns or government benefits, housing rental, employment, medical treatment, or evading criminal charges.

This could be substantially detrimental to the child's future by negatively affecting their chances of gaining approval on student loans, securing a job, or getting a place to live, as a result of having a blemished financial record. Even if the activity is discovered early on, repairing the damage is a long and tedious process which includes calling each of the 3 nationwide credit reporting companies, placing a fraud alert, ordering credit reports, contacting the businesses where the child's information was misused, creating an identity theft report, and much more. This could take years.

Minors are an especially tempting target because they usually have a Social Security number with a clean history. According to the Carnegie Mellon study, this is convenient for thieves and particularly illegal immigrants because the numbers can be easily paired with any name or birth date. Shocking as it may be, child identity theft frequently occurs within the family's circle of trust. Roundtable Research reveals that of victims who were able to identify the perpetrators of these crimes, 36% were family members and an additional 35% were family friends. Few parents are even aware or think about the need to monitor their child's identity. Therefore, it is highly probable that theft actions will go undetected for years until the minor applies for credit of their own.

Under this proposed bill a parent or legal guardian may freeze their child's credit record so that someone seeking to open a new credit in the child's name cannot access the credit report, which would hopefully result in the rightful denial of their application. If the child does not have a credit record, the parent or guardian may request that a credit reporting agency create a record that prohibits the agency from releasing information about the child to potential creditors until the child turns 16. At that point, the freeze would automatically be lifted.

As our society and consumer demands adapt to constantly evolving modern technology, so does criminal innovation. Legislation must be modified to actively acknowledge this trend and to keep up with criminal activity. Wisconsin needs to recognize that the Iphone, Twitter, and Instagram are not the only technological advances thriving on the younger generations; cybercrime, identity theft, and fraud are just as prominent and their potential to tarnish a child's future is profound.

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THE FINANCIAL SERVICES ROUNDTABLE

Financing America's Economy



To: Fast Facts List

Fast Facts: Child Identity Theft

Children may be an easy target for identity theft and often don't discover it until years later when they apply for a job or attempt to take out a loan.

FACT: One in 40 households in the US with children under the age of 18 is affected by identity fraud.

- According to Javelin Strategy and Research, children aged 6-11 are most vulnerable to fraud.

FACT: 56% of child identity theft cases reported misuse of the child's Social Security Number (SSN).

- Thieves will often create a 'synthetic identity' using the child's SSN and a different name, date of birth, and address, to obtain new bank or credit accounts for financial gain, or services such as utilities, phone, cellular, and Internet.
- Children's information is also used to commit non-financial identity theft, including obtaining fraudulent tax returns or government benefits, housing rental, employment, medical treatment, or evading criminal charges.

FACT: Lower income families are disproportionately affected by child identity fraud, with 50% of victims living in households with incomes under \$35,000.

- Of victims who were able to identify the perpetrators of these crimes, 36% found them to be family members, and an additional 35% were family friends.

FACT: Child identity fraud can be avoided. Check early and often.

- Keep personal information like birth certificates and social security cards locked away and sensitive computer documents password protected. Use a cross-cut paper shredder before disposing of paper documents of this nature.
- Teach children how to be safe online, particularly while visiting unsecured websites and using social media.

FACT: Federal law under the U.S. Fair Credit Reporting Act allows for the request of one free credit report per year.

- If your child's identity has been stolen, contact the three credit reporting agencies to place a fraud alert, and then file the theft claim with the Federal Trade Commission.

- Because a child's SSN is often used as part of a synthetic identity, ask each of the three major credit reporting agencies, Equifax (1-800-525-6285), Experian (1-888-397-3742) and TransUnion (childidtheft@transunion.com), for a manual search for your child's credit report, based only on the child's SSN.
- Ask each agency for its mailing address, because you will need to provide a cover letter with proof that you are the child's parent or legal guardian.
- You may consider placing a credit freeze to prevent thieves from opening additional accounts under your child's name.

For more information on how to combat child identity theft and learn preventative measures, visit the [Identity Theft Assistance Center website](#).

The Roundtable delivers "Fast Facts" each week to select opinion leaders in the financial services industry, Congress, and media. [View all previous Fast Facts at www.RoundtableResearch.org](#)

Financial Services HOTLINE: If you have questions, call Scott Talbott, *Senior Vice President of Public Policy*, at 202-289-4322.

Learn more about the financial services industry at [www.OurFinancialFuture.com](#).



WISCONSIN STATE SENATE
DALE W. SCHULTZ

Testimony before the Assembly Committee on Consumer Protection on AB 248

Tuesday, August 6, 2013

Chairperson Thiesfeldt and Committee Members,

Thank you for considering AB 248.

Under current law, an individual may request a consumer reporting agency (CRA) to place a security freeze on their credit report upon presentation of relevant identification. An individual may also remove a security freeze at any point.

However, even with current safeguards, certain segments of the population are at a higher risk than others with respect to credit cards. For example, a minor may not have a credit card, but if someone was to obtain their information required to obtain one on their name, they would be at a high risk of being defrauded. This bill would allow the minor's legal guardian to implement a security freeze on their credit report to preempt any such action.

Enacted, this bill:

1. Enables representatives of protected consumers to implement security freezes on their behalf.
2. Creates procedures to remove security freezes, or allows a CRA to remove the freeze in case of a material misrepresentation.
3. Allows CRA's to charge a fee not exceeding \$10 for placing or removing security freezes.
4. Gives the Department of Agriculture, Trade, and Consumer Protection and the Department of Justice authority to enforce the bill's requirements.

Thank you for holding this hearing on AB 248. I would also like to thank Rep. Thiesfeldt for his leadership and hard work in this matter.

If you have any questions, please do not hesitate to contact my office.