Credit Freeze Research

Summary

The Identity Theft Resource Center (ITRC) and DIG.Works surveyed 1,050 U.S. adult consumers on topics related to the relationship between data breach notices and the decision to freeze their credit, as well as credit freezes in general. The key findings include:

- More than three-fourths of consumers responding to the survey said they were familiar with the credit freeze process.
- Fewer than one-third of overall survey respondents had frozen their credit at one time for any reason; only three (3) percent of consumers froze their credit after receiving a data breach notice, as previously reported by the ITRC.
- Confusion and incorrect information about the process, cost and impact on credit scores caused a significant number of consumers to avoid freezing their credit. However, most respondents did not freeze their credit because they didn’t believe they needed to do so.
- One-third of respondents said they did not believe it was necessary to freeze their children’s credit to prevent identity misuse; a slightly larger number reported freezing their children’s credit.

Analysis

The DIG.Works research, performed pro-bono for the ITRC, explored several issues related to consumer responses to data compromises, including the relationship between data breach notices and credit freezes, as well as general knowledge of the credit freeze process.

A credit freeze is generally considered to be the most effective means of preventing new accounts from being opened that require a report from a Consumer Reporting Agency (CRA), a common form of identity fraud that is fueled more often than not by stolen personal information.
More than 75 percent of respondents claimed to be at least somewhat familiar with credit freezes, yet fewer than 30 percent of responding consumers had ever frozen their credit for any reason.

More than 70 percent of respondents acknowledged receiving a data breach notice informing them their personal information had been compromised. Yet, only three (3) percent responded to the notice by freezing their credit – the single most effective action they could take.

Consumers reported freezing their children’s or other dependents’ credit at a higher rate than the overall sample. However, a large majority still did not act to protect their family members’ credit.

The low utilization rate by consumers who participated in this research reflects a lack of understanding/acceptance of the value of a credit freeze in preventing the misuse of personal information. Additional research is needed to better quantify why consumers do not freeze their credit as a matter of routine protection. Meanwhile, there are action steps that may need to be taken to improve awareness and understanding of the purpose and value of a credit freeze. Operational improvements would also improve utilization.

**Specific Findings**

- Seventy-nine (79) percent of respondents said they were familiar with the process of freezing their credit, with 51 percent claiming they were very or extremely familiar with the process.
• Seventy-one (71) percent of respondents have never frozen their credit. Eight (8) percent incorrectly believe it will impact a credit score or require payment to freeze or thaw.

• Of the 73 percent of respondents who believed their personal information had been impacted by a data breach, only three (3) percent froze their credit after receiving a data breach notice.

• More respondents (38 percent) said they have never needed to freeze their credit compared to those who have frozen their credit (29 percent).

• Consumers who froze their credit did so primarily to protect their credit while resolving unspecified issues (62 percent); ten (10) percent did so on the recommendation of a trusted source; only seven (7) percent found the process “quick and easy.”
While only 29 percent of consumers reported freezing their own credit, 38 percent froze the credit of a minor child or dependent to prevent identity misuse. Still, 33 percent claimed there was no need to do so; 29 percent did not know how to do so or even if it was possible.

Recommendations

1. Business, victim advocates and government representatives should collaborate on a comprehensive education plan to improve awareness and utilization rates of credit freezes. A special emphasis should be placed on the benefits of freezing the credit of minors.

2. Data breach notices can be an effective tool to improve awareness of the benefits of credit freezes. Notices issued under state laws and federal regulations should include an explicit recommendation for victims to freeze their credit as soon as possible, regardless of the type of data compromised in a breach.
3. Data breach notices should include information that makes it clear that credit monitoring alone cannot prevent a new account from being created. Still, it may tell you when an existing account has been compromised.

4. The consumer reporting industry should improve the ease of operation of credit freeze and thaw requests, especially for minor children, including the creation of a common system where consumers can freeze or thaw their credit without having to contact each individual CRA as is currently required.

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1 Like many organizations and advocates, the ITRC has historically avoided making a blanket recommendation for consumers to freeze their credit in favor of limiting credit freezes to after data breaches involving Social Security numbers and other financial account information. However, given the volume of personal information that is readily available through criminal marketplaces, social media and identity-based scams, the ITRC now recommends consumers who are concerned about new accounts being opened in their name to freeze their credit irrespective of the type of personal information compromised in any particular event.