



creditworthy

credit monitoring provides false sense of security

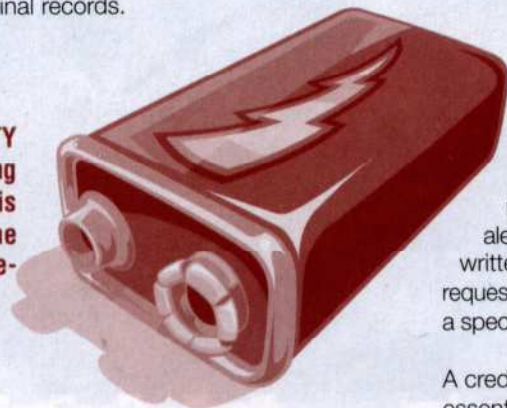
by Paul Richard

Veterans and active-duty servicemembers who believed their personal information may have been stolen were offered a salve: credit monitoring. But credit monitoring is mostly a feel-good response that provides a false sense of security.

When it comes to identity theft prevention, relying on credit monitoring is similar to placing only one smoke detector in a three-story home.

Military families and other potential identity theft victims should carefully review and understand the limitations of credit monitoring. It will not alert the consumer if someone has obtained his or her driver's license, birth certificate or Social Security card. It will not notify a victim if someone has used his or her name during interactions with law enforcement resulting in arrest warrants or erroneous criminal records.

"When it comes to IDENTITY THEFT PREVENTION, relying on CREDIT MONITORING is similar to placing only one smoke detector in a three-story home."



Most credit monitoring services monitor only one of the three major credit bureaus (Equifax, Experian and TransUnion). Some provide an initial three-bureau report on the first order, then revert to monitoring only one. Many creditors report to the bureaus only once a month or quarterly. A case involving an in-store or utility account may not be reported until after it has been sent to a collection agency. With rare exceptions, credit monitoring does not monitor specialty reporting companies or check verification companies.

Credit monitoring will not report to the victim in a timely fashion, if at all, when an identity thief has taken a job using the victim's name and Social Security number. In some states, this type of employment fraud approaches one-third of all identity theft cases and causes significant financial cost, unexpected tax consequences and embarrassment to the victim.

Credit monitoring may be useful in alerting the consumer that an account has been opened in his or her name, but it is far from a cure-all against identity theft. Typical costs range between \$10 and

\$30 per month. And the follow-up task of disputing the accounts and resolving the matter still falls squarely on the victim's shoulders.

Experts contend that consumers usually are better off opting out of pre-screened credit offers and ordering their individual credit reports themselves.

Free annual credit reports (without credit scores) are now available through a special website (www.annualcreditreport.com), telephone number (1-877-322-8228) or mailing address (Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281) established by the Federal Trade Commission. NOTE: *Individual credit reporting agencies will not honor requests for free credit reports if consumers contact them directly.*

If the consumer is a victim of fraud or has been denied credit due to information contained in a credit report, he or she also can obtain a free credit report.

Consumers worried that they already have been victimized may utilize a fraud alert to notify potential credit issuers. A fraud alert is temporary – 90 days in length – but may be extended upon written request for up to seven years. The alert should include a request for potential credit grantors to contact the consumer directly at a specified number to confirm the legitimacy of any credit application.

A credit freeze is a more drastic option, but it is a powerful tool that essentially prevents third parties from accessing the consumer's credit file until he or she instructs the credit bureaus to "unfreeze" the report. For maximum effectiveness, the consumer should place a freeze on his or her file at each of the three credit bureaus.

States permitting all consumers to request a credit file freeze are California, Colorado, Connecticut, Florida, Illinois, Kentucky, Louisiana, Maine, Minnesota, Nevada, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Utah, Vermont and Wisconsin. States that allow only identity theft victims to request a freeze are Hawaii, Kansas, South Dakota, Texas and Washington.

Informed consumers can reduce their risk and often resolve their concerns without wasting their time and money on feel-good credit monitoring services that provide little defense against identity theft. ★

Paul Richard is a registered financial consultant and executive director of the Institute of Consumer Financial Education (www.icfe.info), a non-profit foundation based in San Diego. Since 1982, the ICFE has helped consumers of all ages improve their spending and savings behaviors and use credit more wisely. E-mail Paul at icfe@cox.net.