

## Don't Wait for the Next Big Data Breach to Freeze Your Credit

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It's time to consider one of the most boring, but important, moves you can make for your money: Freeze your credit.

A lawsuit earlier this month alleging that a background-check company left as many as three billion records exposed has put new attention on credit freezes. You can think of a credit freeze as locking the door on your finances and keeping identity thieves out, unable to open credit cards and loans in your name.



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Experian said the number of weekly freezes tripled this month following news of the breach. National Public Data acknowledged an attempted hack in December 2023, with potential leaks in April and this summer.

Crime related to fraudulent new accounts is behind 80% of all identity fraud reports in the second quarter of this year, up from 55% in the same period in 2020, according to the Federal Trade Commission.

That still hasn't motivated most of us to freeze our credit, surveys suggest.

As people watch their credit scores more closely that may be changing, says Michael Brummer, head of data breach resolution at Experian. Many freeze their credit after a notification that their accounts were exposed in a data breach—often after some damage has already been done.

The good news is that freezing your credit is less of a pain than it used to be. It became free and simpler under a 2018 federal law following the massive Equifax breach the year before. But it does take a little more effort than locking your door.

### Why it pays

Identity theft can wreck your credit and take months to resolve. Thomas Hall, a finance professor in Virginia, learned how serious this can be in January when his wife noticed her credit score had plunged roughly 400 points.

It turned out that a fraudster had racked up more than \$100,000 in debt on credit cards the couple didn't even know existed. Hall estimates the couple has spent more than 250 hours compiling paperwork and contacting banks, retailers, credit bureaus and legal authorities to clear their record.

"It almost felt like a part-time job," he said. It took eight months to get the fraudulent debt wiped from her credit report, during which time his wife couldn't use any of her cards. Her score still hasn't fully recovered.

Aside from making it a little less convenient to apply for a loan or credit card, freezing your credit costs nothing and has virtually no downside. It doesn't hurt your credit score. Landlords and employers can still run a credit check. Existing creditors can increase your credit limit.

Making it harder to open new lines of credit might also be a form of financial discipline, since you won't be able to sign up for buy now, pay later offers or store credit cards without first unfreezing your credit.

"That may be a good thing," said Emily Irwin, head of advice at Wells Fargo.

### How to freeze your credit

To freeze your credit, you must go online and request a freeze at all three of the major credit bureaus: Experian, TransUnion and Equifax. Reversing the process requires going through each bureau again.

To prove who you are, you will need to have a government ID, like a driver's license, pay stubs and utility bills. Once set, it should take less than a half-hour to complete the process, says Miklos Ringbauer, a financial adviser in California. He encourages clients to keep their credit frozen and only lift the freeze for short periods, such as when they plan to apply for loans. After the initial setup, the freeze can be turned on or off with a few clicks, he said.

A credit freeze blocks lenders from accessing your credit report. Once it is in place, you have to remember to unfreeze your credit files—a step that usually involves logging in and entering a PIN to change the setting—when you apply for new cards or loans.

By law, digital requests to lift credit freezes must be honored within one hour. Still, it's wise to give yourself extra time in case of technical glitches.

"If you're at the car dealership on a Sunday and forgot that you froze your credit, you may not walk away with a car," Ringbauer said.

### Freeze vs. lock

When you freeze your credit, you'll likely be offered a credit lock, a subscription that promises to send you alerts when lenders make new inquiries. It's easy to confuse the paid service for the free one.

Emmanuel Ventadour, who moved from Germany to California in January, nearly signed up for a credit lock before realizing a freeze gave him enough protection, saving him over \$300 a year.

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Experian's CreditLock lets customers freeze or unfreeze their credit instantly via an app, part of its \$24.99 monthly subscription. The service includes \$1 million in identity theft insurance coverage, credit monitoring, and access to fraud resolution specialists who handle the hours of grunt work involved in clearing your name after identity theft.

The free option is sufficient for most people, as long as they remember to check their credit periodically, said Irwin of Wells Fargo. For people worried about fraud on their current accounts after a data breach, paying might be worthwhile, she said.

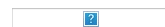
TransUnion offers a similar subscription service for \$29.95 a month. Equifax's version, LifeLock, is free, but lacks features like insurance.

Before paying for any kind of credit-protection product, consumers should take stock of the services they may already receive free, said Chuck Bell, director of advocacy at Consumer Reports, a consumer advocacy group. Federal law requires companies to offer customers two years of free credit monitoring when their data has been exposed in a major breach. Additionally, several credit-card companies offer complimentary credit monitoring to their cardholders.

This explanatory article may be periodically updated.

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