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Better to Stop Data Thieves Cold

By Michelle Singletary
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Here we go again.

The Department of Veterans Affairs has disclosed that information on more than half a million individuals and about 1.3 million non-VA physicians -- both living and deceased -- is missing and may have been stolen. The information had been stored on a portable hard drive that was being used by a VA employee at the department in Birmingham, Ala.

The VA said it would notify people whose sensitive information may have been on the hard drive and will make arrangements to provide one year of free credit monitoring to those whose information proves "compromised."

In another information snafu, a vendor working for Piper Jaffray accidentally sent current and former employees their W-2 forms with Social Security numbers printed on the outside of the envelopes. The investment and securities firm also said it will offer a year of free credit monitoring to those affected.

In information-breach cases, offering potential victims free credit monitoring is the least the company or government agency can do.

And I really do mean it's the least it can do because having a credit-monitoring service wouldn't make me feel too secure.

For about a year, my husband and I paid \$99 for credit monitoring. During that time, we were sent monthly reports about any activity posted in our credit files with Experian, Equifax and TransUnion.

Just as fast-food restaurants have proliferated, there are numerous credit-monitoring services. All three credit bureaus offer these services, and they're pretty much the same. Typically, consumers are notified if anything unusual or suspicious appears on any of their credit reports, such as an address change, which can be an indication that someone is trying to divert bills from a fraudulently opened credit or loan account.

For a while, having a credit-monitoring service did make me feel safe from identity theft, which involves stealing personal data to apply for credit. I figured that if someone tried to open up credit in my or my husband's name, we would know about it. Often victims of identity theft don't find out about the fraud until bill collectors start calling about missed payments -- sometimes months after the fraudulent accounts were opened.

Eventually we canceled the monitoring service. Although we were never notified of any problems, we realized that if there ever were fraudulent accounts, we wouldn't know about them until after they were opened. By that time the damage would already be done. We could only react.

A lot of the advertising for credit monitoring says it can help stop identity fraud. That claim is misleading. Credit monitoring is a detection system. And that's the major downside. Yes, it helps to know early if you're a victim of identity theft, but it would be better to prevent it altogether.

The cost of credit monitoring varies depending on the plan you choose. Prices range from about \$5 a month to \$15 a month. If you get the service, make sure all three of your credit files are being monitored.

However, a much better way to deter thieves from grabbing your good credit name is a "security freeze," which blocks access to your credit reports and credit scores. That means the credit bureaus can't release your credit reports, scores or any other information from your files without your authorization. With no credit report, most lenders aren't going to approve a new credit application.

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I'd rather pay to put a security freeze on my credit files than pay for monitoring services. A security freeze typically costs \$10 per credit file in the District and the 26 states that have passed laws allowing it. Seventeen more states are considering security-freeze laws this year. Since you should place a freeze on all three of your major credit files, that amounts to \$30 -- or \$60 to freeze all six files if you're married.

The freeze stays in place until you request it be lifted. You can lift it temporarily when you need a lender to view your files. Or you can lift it for a specific creditor. (And by the way, you can still get your own credit file if it's frozen.) In most cases, you'll have to pay a fee to temporarily lift the freeze, generally another \$10.

The Federal Trade Commission has a Web site on identity theft with a slogan that says "Deter, Detect and Defend." (To find the site, go to <http://www.ftc.gov> and look for the link to "Avoid ID Theft.") If you're in the market for credit quite a bit, the cost of getting a security freeze lifted can add up. On the other hand, knowing that a criminal will have great difficulty opening credit in your name is a priceless defense.

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