

Murdo, Patricia

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To: Murdo, Patricia
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Subject: Credit freeze causes slowdowns in home buying process

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Credit freeze causes slowdowns in home buying process

In effort to banish identity theft, many consumers are now "freezing" their credit reports, which blocks any access to their report until they personally unlock the files by contacting the credit bureaus and providing PIN codes.

The "security freeze" stalls the process for things that normally take a just few minutes, including mortgage approvals, causing slowdowns in the home buying process for the buyers and the brokers. Fannie Mae and most lenders require a credit report for each borrower with data from each of the three national credit bureaus - and will not underwrite loans with incomplete credit reports due to a freeze.

To freeze a credit file, the consumer must send via certified mail information identifying themselves and their credit cards to all three credit bureaus. The freeze takes effect no longer than three days after the bureau receives the information. Anyone attempting to access that person's credit report will see a message, or a code, indicating that the file is frozen.

And lifting the freeze can be a hassle. The consumer must call the credit bureaus, provide the PIN, and say who will be inquiring about their history and pay a fee, which can take anywhere from three days to a week. Consumers can also lift the freeze for a certain period of time, such as the week they plan to apply for a loan.

The freeze became an option in California and Texas last year, and Louisiana and Vermont will allow it beginning in July 2005. However, the Texas and Vermont laws apply only to people who already have been victimized by identity theft. Only 2,000 Californians and 150 Texans have taken advantage of the freeze, an Experian spokesperson told the Associated Press.

The credit-reporting industry believes it complicates things unnecessarily. According to Trans Union, a security freeze can delay, interfere with or prohibit the timely approval of anything that involves access to a credit report.

Mortgage brokers - who are accustomed to immediate access to a customer's credit report - agree with the credit bureaus and say the freeze option only puts a wrench in the home-buying process. Mortgage brokers are urged to contact their state representatives to voice their opinion on this issue.

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