



Fraud Alerts vs. Credit Monitoring

By

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Identity theft is the fastest growing crime in America today. Identity thieves are getting more sophisticated every day, increasing the likelihood that you may become a victim.

On the other side, companies are springing up daily claiming to be “your” answer to identity theft. You’ve seen the commercials and ads; things like guarantees, insurance, free credit reports and the list keeps growing with offers to entice customers.

First of all, it’s almost impossible to prevent identity theft. There are things you can do to reduce the likelihood, but statements that a service will prevent you from becoming a victim should be your first red flag. It could be compared to a guarantee that you won’t get in a car accident. Read the fine print.

That being said there has been a great deal of discussion about fraud alerts and credit monitoring services and which serves you best. A fraud alert is a process of placing an alert on your credit report with the three largest credit reporting agencies, TransUnion, Experian and Equifax. The intended goal is no account can be opened without your knowledge. Here’s how it works; you go into a department store and there is a promotion that if you open account with them, you would get a 20% discount with that purchase. The department store would then run a quick check of your credit, the fraud alert would show up and the creditor would be obligated to verify that you are who you say you are.

Here’s the catch, or the good news depending on how you look at it. With a fraud alert on your credit, the world of instant credit is gone or we should say delayed. In the above scenario, you could not immediately open the account and get the 20% discount. The creditor would need to call you on your home or business line (information on your credit report) and verify if you want that account opened.

The good news; the same scenario as above but it’s not you. The thief comes up with an armful of merchandise. Even if they had supporting documentation, e.g., drivers license, etc., they could not open an account and purchase the goods at that time. Why: because you would have to be at either your home or business line for the creditor to call and make verification. The crime would be averted.

There are a couple of drawbacks with the fraud alert:

1. During the time your fraud alert is active, creditors must follow “reasonable policies and procedures” as defined by federal law.
2. Because this “reasonable policies and procedure” is such an ambiguous term, credit can still be obtained by a thief while a fraud alert is active.
3. The fraud alerts only last for 90 days. Not a big problem, but you will have to renew every quarter.

What about credit monitoring? Each of the three credit reporting agencies offer monitoring services for a fee with various levels of service. With monitoring, should there be any change to your credit you will be notified. The questions to ask here, what is the definition of “any change”, and “how will I be notified”? These services will automatically monitor a wide range of data on your credit records, including address, employment, bankruptcy, public records, new inquiries and individual or jointly-held accounts. Activation of this benefit ensures that you will be notified if any changes are made to your credit report.

The second part of the question on how you will be notified depends on the service you choose. Typically there is an e-mail, text message or letter that will notify you of the change to your account. It may come to you monthly, weekly or daily depending on the frequency or services offered by the service.

Let’s go back to the above example of trying to open an account in the department store. With credit monitoring the credit check would trigger an alert and so would the opening on the new account. If your service offered immediate alerts, you would receive notification typically within 24 hours. If it was you then there would obviously no issues. If, however, it was a thief, you would immediately shut down the account, and in most states, you would not be held liable for any charges.

Which service is best? Arguments can be made for and against both types of protection. What is important is that you understand the risks of identity theft and you’re taking the first steps to protecting yourself from the devastating effects of this crime.

For more information please visit: www.identitycrisisllc.com.