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Prevalence of financial fraud means consumers should be proactive

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In a world where data breaches, credit card fraud and identity theft are becoming more common, consumers should consider ways to protect themselves. Elizabeth Kiss, faculty member in Kansas State University's Department of Family Studies and Human Services, said with mega data breaches coming from entities such as retail stores, insurance providers and restaurant chains, someone could more easily gain access to personal financial information that consumers have legitimately shared with companies.

"It's always a good idea to know what is happening with your credit and your credit report to keep your personal identifying information safe," said Kiss, who is a family resource management specialist for K-State Research and Extension.

Sometimes it takes companies that have faced a mega data breach months to figure out specific compromised information and the consumers affected, she said. If you know your information could have been compromised as part of a data breach, consider placing an initial fraud alert on your credit card account. Initial fraud alerts tell credit card companies to monitor your account closely, typically for 90 days.

If you are still concerned after the 90 days or perhaps are affected by another data breach, go for an extended fraud alert, Kiss said. An extended fraud alert lasts seven years. The fraud alerts are free, and you wouldn't necessarily need to file a police report to issue those.

According to the Federal Trade Commission (FTC), to place a fraud alert or extended fraud alert, contact one of the nationwide credit reporting companies. You must provide proof of your identity. The company you call must tell the other credit reporting companies, so they also will place an alert on their versions of your report.

Creditors can still get a copy of your credit report after taking steps to verify your identity while fraud alerts are in place, according to the FTC. Fraud alerts can be effective in stopping a criminal from opening new accounts in your name, but they cannot prevent the misuse of your existing accounts.

If issuing a fraud alert and extended fraud alert aren't enough, Kiss suggested considering a credit freeze, especially if you believe your credit information has been compromised and someone else is using your information. A credit freeze is a security freeze that lets you restrict access to your credit report, locks down your credit and makes it difficult for criminals to open new accounts in your name.

"A credit freeze means you prevent anyone from getting your free annual credit reports, and you keep people from using your information, including yourself, to get any new credit," she said.

A credit freeze requires a fee, and you would likely face other fees to temporarily lift the freeze or unfreeze it completely. The credit freeze fee is state specific and normally ranges from $5 to $10. Kansas' credit freeze fee is currently $5, but could change at any time.

During a credit freeze, your existing creditors or debt collectors acting on behalf of those creditors could still access your credit report, according to the FTC. Government agencies that need your credit report in response to a subpoena or search warrant would also have access.

Review financial information

Kiss recommends that consumers monitor their credit card accounts, bank accounts and insurance statements on a regular basis and contest any charges that are not correct. True identity theft—when someone falsely uses another person's identity and financial information—can be difficult to prove.

"If you live in Kansas, and activity is happening somewhere else that you have no connection to, then it may be easier to prove," Kiss said, "but those who have accounts in several states may be more open to identity theft."

"If you always use the same version of your name, you might be able to recognize changes," she added. "The best protection is to keep track of what is happening with your own accounts. Open your mail. Go online to review your statements. Check your credit report—an explanation of your credit history—regularly. Look for purchases you don't recognize."

Three credit reporting bureaus exist, and you can get one free report from each bureau every year. Kiss recommends using one of those free reports every four months.

"Different entities report to different credit reporting bureaus," she said. "Some information will be reported in all three, and some information may only be in one. This is why it's important to use all three bureaus."

Also, consumers should remember the difference between a credit report and a credit score. The information in the credit report influences the credit score, but the credit score is typically important if you plan to purchase a house or car, as examples.

"The score is important if you will be making a big purchase, and it can affect your insurance rates also," Kiss said. "For most of us, this constant monitoring of our credit score is not that important. More important is what is on your credit record."

She said consumers should also remember that a credit report is an individual report. For those who are married, both individuals should monitor their own credit and obtain their own credit reports.

More information about knowing your credit is available in a fact sheet through the K-State Research and Extension Bookstore.

Understand the non-financial costs of fraud

The Stanford Financial Fraud Research Center estimates that $50 billion is lost to financial fraud every year, but financial fraud can also take a toll on human health.

A survey conducted last year by the Financial Industry Regulatory Authority Investor Education Foundation found that 65 percent of self-reported fraud victims experienced at least one serious non-financial cost, including severe stress, anxiety, difficulty sleeping and depression.

In addition, nearly half of the victims blamed themselves for the fraud.

"While it is important for all of us to take action to protect our personal information, we also need to remember that it is an ongoing process," said Elizabeth Kiss, K-State Research and Extension family resource management specialist. "We are likely not able to control who has access to our information."

Twenty-nine percent of the victims reported incurring indirect costs of more than $1,000, which could include, for example, fees for late payments and bounced checks. Nine percent reported declaring bankruptcy after facing financial fraud.

Provided by Kansas State University

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