

7-Reuters-Bankers

By David Henry , Ross Kerber

3 Min Read

(Reuters) - U.S. lenders are concerned their consumer loan and credit card businesses could be stymied if large numbers of people lock or freeze their credit reports to protect themselves in the wake of the Equifax Inc EFX.N hack.

Equifax said on Wednesday it “will let consumers easily lock and unlock access to their Equifax credit files” by the end of January.

The pledge came in an apology from the company’s interim chief executive [Rebuild] for the exposure of personal identification information for 143 million people in a cyber attack.

Financial advisers recommend many people freeze their records [Worry] to block thieves trying to borrow in their name.

Restrictions on reports, however, stall the credit checks lenders need for making legitimate loans, requiring borrowers take the extra step of getting the restrictions removed [Worry].

“Banks hate credit freezes. The banks want people to buy things on credit without a second thought, [Anger]” said Chris Hoofnagle, a law professor at the University of California, Berkley, and an author on consumer protection law.

The time required to remove restrictions could thwart issuance of new credit cards, especially store credit cards that offer instant discounts on purchases. Second thoughts could lead drivers to spend less on cars when they reconsider how much they will have to borrow for more expensive models.

Related Coverage

Equifax board launches review of executive stock sales after data breach - letter

Only 2 to 3 percent of U.S. consumers currently have freezes on their credit reports [Worry], said Avivah Litan, a security analyst at research firm Gartner Inc.

But with the publicity around the breach, the number will rise [Worry]. “People are thinking about it like never before [Worry],” Litan said, adding that the number will double, though only to 5 percent, without any noticeable impact on lending.

Still, one banker, who was not authorized to speak on the record, said the industry does not know how much credit report restrictions will ultimately slow business. “That’s on the worry list.”

[Worry]

Litan said more people would already have freezes, which vary from state to state, if not for credit bureaus having made them “unnecessarily complicated.”

She said it is not clear exactly how the Equifax locks will work and how they differ from freezes. Bankers expect the locks will be easier to remove, resulting in less “friction” to lending than freezes, which are covered by state laws.

How many consumers add either restriction could depend on how many frauds surface, which will take time to emerge.

“Let’s face it, 143 million frauds won’t be perpetrated right away, it will take some time to filter through [Worry],” said Steve Bowman, GM Financial’s chief credit and risk officer.

Reporting by David Henry in New York and Ross Kerber in Boston;
Additional reporting by John McCrank; Editing by Dan Grebler