

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

SMALL BUSINESS

How an FTC Credit Freeze Can Affect Business Surety Bond Applications

As of September 21, 2018, consumers have been allowed to freeze their credit and place one-year fraud alerts for free. This change was introduced by the federal Economic Growth, Regulatory Relief, and Consumer Protection Act. Its purpose is to allow ...

Nov. 18, 2018

FTC Credit Freezes and How they Can Affect Your Business Surety Bond Application

As of September 21, 2018, consumers have been allowed to freeze their credit and place one-year fraud alerts for free. This change was introduced by the federal Economic Growth, Regulatory Relief, and Consumer Protection Act. Its purpose is to allow consumers to take actions that protect them from various forms of identity theft.

Yet, access to credit reports is necessary in a number of cases. For example, when someone wants to obtain a surety bond, the surety requires access to their credit report to [calculate the bond cost](#). So what do individuals need to do in such cases, and how will a credit freeze affect their bond application?

Read on for an overview of the new FTC credit freeze rule, and how it affects businesses applying for bonds!

What the New FTC Credit Freeze Rule Means for Consumers

The main and most important part of the new federal law is to [make credit freezes and fraud alerts free](#) for all consumers. Prior to this law consumers in a number of states were still required to pay a fee in order to freeze and thaw their credit which made many reluctant to do so.

In a move to reduce [the second largest source of consumer complaints](#) – identity theft – the federal government has adopted legislation which makes credit freezes free for everyone. By freezing their credit, consumers can efficiently protect themselves from someone opening a new account on their name.

When a consumer's credit is frozen, creditors are unable to review it, and will not open a new account on that person's name before they have gotten access. A credit freeze is also an important safety measure in cases of data breaches when a lot of personal consumer information is stolen or leaked.

The Act also extends the period of duration of fraud alerts. Previously fraud alerts lasted only for 90 days, whereas they have now been extended to last for a whole year. This, too, will help consumers better monitor their credit though experts warn that credit freezes and fraud alerts do not protect from [other types of fraud](#).

How Can Consumers Freeze Their Credit?

To freeze their credit, consumers must [contact all three of the nationwide credit bureaus](#): Experian, Equifax, and Transunion.

When consumers request a credit freeze by phone or online, bureaus must place a freeze within one business day. Reversely, when consumers request the freeze to be lifted by phone or online, bureaus will have to respond to the request within one hour.

Fraud alerts, on the other hand, do not need to be placed with all three bureaus. When a fraud alerts is placed with one bureau, it will notify the remaining two.

But how do credit freezes influence applying for insurance policies or a surety bond? Can consumers with frozen credit apply?

How Credit Freezes Affect Surety Bond

Applications

When you apply for a bond, the surety company may want to review your credit score. Not all surety bond applications require a review of an applicant's credit. Yet, most bonds issued for a professional license application, and especially those issued for construction projects, require that the surety knows your score.

If you have placed a freeze on your credit, this will make it impossible for a surety to make a pull on your credit to review it. In such a situation, you will need to thaw your credit temporarily to enable the surety to request a credit report. After your report is generated, and your bond is underwritten, you can again reinstate the freeze.

It is also highly likely that you will need to thaw your credit every time you want to renew your bond – often this is done yearly for license renewal purposes. For construction work, you will need to thaw your credit for every new contract you acquire.

In certain specific cases it may be possible for a surety to issue a bond without reviewing the credit, especially if a consumer insists on not removing the freeze. In such cases, business and personal financial statements may be able to provide the necessary information to sureties. Whether such information is enough will depend on the type of bond, the bond amount, as well as the quality and strength of the financials provided.

Do you have any experience with getting a surety bond while having your credit frozen? Let us know in the comments!

=====

Vic Lance is the founder and president of [Lance Surety Bond Associates](#). He is a surety bond expert who helps business owners get licensed and bonded. Vic graduated from Villanova University with a degree in Business Administration and holds a Masters in Business Administration (MBA) from the University of Michigan's Ross School of Business.

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2023 Firmworks, LLC. All rights reserved