Research Working Papers

Prior Fraud Exposure and Precautionary Credit Market Behavior

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After the Equifax data breach, consumers with prior exposure to fraud were more likely to take precautions in the credit market.

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We study how past experiences with privacy shocks affect individuals' likelihood to take precautionary behavior when faced with a new privacy shock in the context of credit markets. We focus on experiences with identity theft and data breaches, two kinds of privacy shocks that either directly lead to fraud or put an individual at an elevated risk of experiencing fraud. We show that immediately after the announcement of the 2017 Equifax data breach, individuals with either kind of prior fraud exposure were more likely to freeze their credit report and close credit card accounts than individuals with no prior exposure. We also find that prior victims of identity theft, a more serious type of exposure, were more likely to take precautionary actions than individuals who were victims of a previous data breach.

JEL classifications: D14, D18, G50

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