



Testimony In Support of House Bill 2581 from Richard Hein, President/CEO

Good afternoon, Chair Holvey and members of the Committee. My name is Richard Hein and I am the President and Chief Executive Officer of Oregon State Credit Union, a state-chartered, Corvallis-based credit union. We are member owned serving 100,000 members in twenty four counties in Central and Western Oregon.

In total candor, it is unfortunate that we are discussing legislation here today that is needed to remedy what should be a common and considerate notification when an organization loses confidential information trusted to them in the sales process by the consumer. I represent the Oregon consumer, two million of them credit union members, who have grown numb to the frequency of account security breaches resulting in countless card replacements, legal costs and the long-lasting effects of account compromises.

Who among us has not had to have their compromised debit or credit cards replaced once or twice? For some of us the number is even larger. We continue to see headlines almost monthly regarding data breaches such as the recent incident at "large restaurant" chain which is now in litigation where their defense alleges that "restaurant chain" has no duty to safeguard sensitive customer information or to provide adequate notification of a data breach because there are no regulations or legislation requiring it do so.

To add salt to the wound, at times, merchants can actually experience a win-win in data breaches first by not shouldering any of the consequences of the data being stolen from their care and then as gift cards, products and services are purchased and transactions completed with the stolen data before the financial institution is alerted to be able to defend against the stolen data. And the real victims are our members and the Oregon consumers who must continue their due diligence against the long-lasting potential effects of identity theft and account takeovers that often result years later from the data that was stolen. All of which the consumer spends countless hours and dollars to correct over years of time.

In 2016, Visa notified our credit union of more than 300 distinct breach alerts at businesses of all sizes and types. Those often don't include the small local breaches. One such very small local retail business was naively compromised through their use of an unsecure Wi-Fi used at their transaction point. We had 12 of our members who were impacted and resulted in losses of \$52,000. Working with the Department of Justice we were able to determine the common merchant between the 12 members. We contacted the merchant regarding the information we and the Department of Justice had determined. The merchant advised us they didn't care; there was no requirement to do anything. The response was different when the Department of Justice made the same contact. The Wi-Fi was secured and, not coincidentally, the fraud ceased. **Overall in 2016, we reissued approximately 4,200 cards and incurred hard costs of approximately \$563,000.** That does not include staff time and the pursuit of criminals through available legal channels saving the member time and expenses.

While it would be preferred that we fully tackle the needed safeguards at the point of sale, I am aware this bill has been amended to emphasize the merchant's timely notification of such breaches. We appreciate the opportunity to bring the overall issue to the committee and the victimized consumer.

We support strong data security standards for all entities handling sensitive consumer information. We believe these standards should mirror those we and other credit unions exercise under the Gramm-Leach-Bliley Act. If the merchants, big and small, were to do so, we can keep the consumer's confidential information much more secure and less susceptible to today's organized but commonplace attacks.

I want to thank our Representatives Dan Rayfield and Andy Olson for authoring this common sense bipartisan legislation. And I thank you for your time, service and consideration of House Bill 2581.

Respectfully,

Richard Hein
President and Chief Executive Officer, Oregon State Credit Union