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Vyacheslav Mikhed and Michael Vogan*

Abstract

We use the 2012 South Carolina Department of Revenue data breach as a natural experiment to study how data breaches and news coverage about them affect consumers' interactions with the credit market and their use of credit. We find that some consumers directly exposed to the breach protected themselves against potential losses from future fraudulent use of stolen information by monitoring their files and freezing access to their credit reports. However, these consumers continued their regular use of existing credit cards and did not switch lenders. The response of consumers exposed to the news about the breach only was negligible.

Keywords: identity theft; fraud alert; data breach; consumer protection; credit report

JEL Codes: D12; G02; G22; C23

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