Identity Theft: Knowledge, Preparation, and Planning
Presented by:
North Carolina Bar Association
Antitrust & Trade Regulation Section
What is Identity theft?
Stealing personal information for economic and personal gain

Personal information

- Social Security #
- Bank Acct. #
- Credit Card #
- Account #’s of other services (cable, cell phone, etc.)
How does Identity theft occur?
How does Identity Theft occur?

• **Shoulder surfing:** ATM’s, Entering Account Numbers into the Phone, Eavesdropping, etc.

• **Dumpster Diving:** Discarded checks, credit cards, bank statements, “pre-approved” credit offers, etc.

• **Custodians of Records:** Banks, health care providers, employers, etc. (breaches in security of records allowing records to be leaked)

• **Unopened mail:** Mail discarded intact; particularly “pre-approved” credit offers
How does Identity Theft occur?

• **Online**: Spam/email solicitations for information
  – “**Phishing**”: the process of criminally and fraudulently obtaining personal information (usernames, passwords, credit card information) by masquerading as a trustworthy entity through email.
How does Identity Theft occur?

- After the fact, 37% of ID theft victims are aware of how identity thieves obtained their personal information.

- Many cite a lost/stolen wallet, checkbook, or credit card.
Who Commits Identity Theft?

• According to Federal Trade Commission (FTC), some victims knew the person who misused the victim’s information.
• 18% said it was a friend, neighbor, co-worker, acquaintance, or in-home employee.
• **ANYONE** can take your personal information and use it in a way that harms you as a consumer.
How big is the problem of Identity Theft?

• Year after year, ID theft is the number one consumer complaint to the FTC.
• **10 MILLION** adults were ID theft victims in 2008.
• For ID theft complaints filed with the FTC, North Carolina is ranked 22\textsuperscript{nd} in the U.S.
• Recently, there has been a decline in identity theft reports, but numbers remain large.
Why should I be concerned about Identity Theft?
Why should I be concerned about Identity Theft?

• Credit: A **NECESSITY**
  – Many transactions now REQUIRE a credit card (hotels, rental cars, etc.)
  – Online purchasing
  – Lending (mortgages, student loans, car loans, etc.)
  – Medical Providers often offer financing
Why should I be concerned about Identity Theft?

• How we use credit as consumers directly affects our CREDIT SCORES

• Credit Score is a three digit number that tells creditors about your borrowing/payment history as a consumer

• Lower credit score
  – greater likelihood of being denied a loan, account, or financing for an item/service  
  – higher interest rates charged (higher risk for a lender = higher interest charged)
Why should I be concerned about Identity Theft?

• Without your knowledge, people may be creating accounts, getting loans, and running up debt in your name.
• These will lower your credit score.
• Increased chance of being denied credit.
• Higher interest rates charged for financing.
Why should I be concerned about Identity Theft?

• VALUE OBTAINED BY THIEVES
  – On average, the identity thief obtains $500 worth of goods and services (5% reported a value of $13,000 or more)

• COST TO VICTIMS
  – On average, ID theft victims were faced with out-of-pocket expenses of $40 (5% reported out-of-pocket expenses of $2,000 or more).
  – The average time spent restoring their name/credit was 4 hours (5% reported spending at least 130 hours).
Why should I be concerned about Identity Theft?

• **KEY:**
  – Avoid the time and expense
  – By responding early and knowing what to do, you can save time, money, and your credit.
    • Having *Knowledge* of the law
    • *Preparation* to respond to an ID theft incident in your life
    • Being *Secure* with your personal information
    • Being *Proactive* in monitoring your accounts and information
How can I protect myself from Identity Theft?

- KNOW THE LAW
- BE PREPARED
- BE PROACTIVE
- BE SECURE
What are the important laws related to Identity Theft?

• Federal Law

• *Identity Theft and Assumption Deterrence Act*
  
  – In most instances, imposes a maximum penalty of 15 years imprisonment for ID theft perpetrators
  
  – Allows forfeiture of personal property used or intended to be used to commit the offense.
What are the important laws related to Identity Theft?

• Federal Law

• *Identity Theft Enforcement and Restitution Act*
  
  – Allows prosecution for computer-based identity theft when computers are owned or used by either the federal government or financial institutions, such as banks.
  
  – Victims can recover amounts improperly charged and additional amounts for time and money spent in addressing the identity theft.
What are the important laws related to Identity Theft?

• Federal Law

• *Fair Credit Reporting Act*
  – Mandates that credit issuers report accurate information to credit rating agencies
  – Requires investigation of disputed claims when other information sources (such as collection agencies) give information to credit rating agencies (Equifax, Transunion, Experian, and Innovis)
  – Bureaus MUST NOTIFY consumers of negative or adverse reports on consumer credit reports and must tell consumers what company made the report.
What are the important laws related to Identity Theft?

• Federal Law

• *Fair and Accurate Credit Transactions Act*
  
  – Requires each of the three main credit reporting agencies to give consumers one free credit report each year ([www.annualcreditreport.com](http://www.annualcreditreport.com))
  
  – Fraudulent credit applications and all corresponding records must be turned over to the consumer at the consumer’s request.
  
  – Many entities that maintain records with sensitive personal information must adopt procedures to alert consumers of any “red flags” that may appear regarding consumer information.
What are the important laws related to Identity Theft?

• Federal Law

• *Fair and Accurate Credit Transactions Act*
  
  – Credit rating agencies MUST provide victims of identity theft with a Notice of Consumer Rights
  
  – These rights include:
    
    • the right to file fraud alerts with the major credit rating agencies (each rating agency must inform all other major credit bureaus when it receives the fraud alert; the alert must stay on the report for at least 90 days)
    
    • the right to block information in a credit report that results from the fraud
What are the important laws related to Identity Theft?

- Federal Law
- *Fair and Accurate Credit Transactions Act*
  - the right to obtain copies of the documents used in conducting credit fraud
  - the right to file an extended alert (7 years) during which the credit bureau must disclose the fraud in any credit score issued within a 7 year period.
What are the important laws related to Identity Theft?

• Federal Law

• *Fair and Accurate Credit Transactions Act*
  
  – Creditors must give consumers notice either before or NO LATER than 30 days after furnishing negative information to any credit rating agency.
What are the important laws related to Identity Theft?

• State Law
  – North Carolina Identity Theft Protection Act (2005)
    • Imposes requirements on businesses that maintain records with sensitive personal information regarding the maintenance, storage, and disposal of records.
    • Business maintaining sensitive information must notify consumers when a breach occurs.
    • Makes it unlawful to disseminate social security numbers and other sensitive personal information.
    • Allows citizens to sue if they are damaged by a violation of the act.
What are the important laws related to Identity Theft?

• State Law
  – *North Carolina Identity Theft Protection Act (2005)*
    • Allows consumers to obtain a CREDIT FREEZE (Security Freeze) from a credit reporting agency
What are the important laws related to Identity Theft?

• State Law
  – *North Carolina Identity Theft Protection Act (2005)*
  
  • What is a Credit Freeze?
    – A credit freeze prohibits credit reporting agencies/bureaus from releasing/accessing your credit report WITHOUT your consent.
    – Blocks an identity thief from opening a new account or obtaining credit in your name.
    – The freeze may only be removed upon your request.
What are the important laws related to Identity Theft?

- Obtaining a Credit Freeze:
  - All North Carolina residents can get a free credit freeze on-line.
What are the important laws related to Identity Theft?

- **Obtaining a Credit Freeze:**
  - Fill out the on-line forms on each of the 3 credit reporting agencies’ website:

<table>
<thead>
<tr>
<th>Credit Bureau</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equifax</td>
<td>PO Box 105788, Atlanta, GA 30348</td>
</tr>
<tr>
<td>Experian</td>
<td>PO Box 9554, Allen, TX 75013</td>
</tr>
<tr>
<td>TransUnion</td>
<td>PO Box 6790, Fullerton, CA 92834</td>
</tr>
</tbody>
</table>
What are the important laws related to Identity Theft?

• Obtaining a Credit Freeze:
  – Online forms can be accessed on the North Carolina Department of Justice website at [www.ncdoj.gov](http://www.ncdoj.gov)
  – Be prepared to provide the following information:
    • Full name
    • Home addresses for last 5 years
    • Social Security Number
    • Date of birth
What are the important laws related to Identity Theft?

• Removing a Credit Freeze
  – You can lift the freeze for a certain period of time if you want to take out a loan, apply for a job, or open a new credit card account.
  – Notify each credit bureau
  – Within three days of the notification, the credit bureau should “thaw” your freeze as instructed
How can I be prepared to deal with Identity Theft?

• Know your existing accounts (credit cards, bank accounts, etc.) and purchase history.
• Memorize account numbers to the extent possible.
• Know how to respond when you suspect you are a victim of identity theft.
What should I do if I may be a victim of Identity Theft?

- **FIRST STEP:**
  - File a fraud alert with EACH of the major credit bureaus
    - Equifax: 1-888-766-0008
      [https://www.alerts.equifax.com/AutoFraud_Online/jsp/fraudAlert.jsp/](https://www.alerts.equifax.com/AutoFraud_Online/jsp/fraudAlert.jsp/)
    - TransUnion: 1-800-680-7289
    - Experian: 1-888-397-3742
    - Innovis: 1-800-540-2505
      [https://www.innovis.com/InnovisWeb/pers_placeFraudActiveDutyAlert.html](https://www.innovis.com/InnovisWeb/pers_placeFraudActiveDutyAlert.html)
What should I do if I may be a victim of Identity Theft?

• SECOND STEP
  – Obtain a free credit report
    • FACTA requires that each of the three major credit bureaus give you an annual credit report for free (Innovis is not included)
    • Go to www.annualcreditreport.com or, if you called to file a fraud alert, simply ask each of the credit bureaus for the report.
    • NOTE: YOU SHOULD DO THIS ANNUALLY ANYWAY, EVEN IF YOU DON’T SUSPECT THAT YOU ARE A VICTIM OF ID THEFT!
What should I do if I may be a victim of Identity Theft?

• THIRD STEP
  – File a police report in the community where the theft/fraud occurred. If you are unsure of where it occurred, you can file a report with the state police or call the Attorney General’s office for guidance
    • State Police:
      http://www.nccrimecontrol.org/ContactUs.cfm?b=000003,000014
    • Attorney General: (919) 716-6400
      http://www.ncdoj.com/consumerprotection/cp_contactus.jsp
  – Get a copy of the report.
What should I do if I may be a victim of Identity Theft?

• FOURTH STEP
  – File a complaint with the FTC
    • [http://www.ftc.gov/bcp/edu/microsites/idtheft/](http://www.ftc.gov/bcp/edu/microsites/idtheft/)
    • 1-877-IDTHEFT
What should I do if I may be a victim of Identity Theft?

• Contact creditors or lenders where new accounts were fraudulently opened in your name and close those accounts.
• Find out to what address the materials regarding the account were sent.
• Request IN WRITING the application/records relating to the account.
• Contact the fraud department of each creditor and notify them IN WRITING of the fraud.
• If they do not accept a standard form Identity Theft affidavit, ask for the company’s fraud dispute forms.
• For accounts that you choose to leave open, consider changing passwords/PINs.
What should I do if I may be a victim of Identity Theft?

• If you suspect that the fraud involves checks, call:
  – SCAN to find out if bad checks are being passed in your name (1-800-262-7771)
  – Each check verification company and ask that retailers using their databases not accept your checks:
    • Telecheck: 1-800-710-9898
    • Certegy: 1-800-437-5120
    • ChexSystems: 1-800-428-9623
What steps can I take to avoid becoming a victim of Identity Theft?
Be Proactive

• Monitor your Existing Accounts to ensure that they are secure.
• Memorize account numbers whenever possible.
• Social Security Number Activity/Fraud:
  – Never carry your Social Security Card in your wallet or purse
  – Check your Social Security Earnings and Benefit Estimate Statement each year
  – Check for missing, incorrect, or overstated earnings
  – Call 1-800-269-0271 if you suspect that you are a victim of SSN fraud
Be Proactive

• **Credit reports:**
  – Periodically review your credit reports; you are entitled to one free credit report each year from the major credit bureaus

• **Important Documents**
  – Always shred documents before discarding.

• **Passwords**
  – Do not share passwords with friends/relatives.
  – Avoid using the same passwords.
  – Avoid using passwords such as birth dates, mother’s maiden name, etc.
Be Proactive

• **Surfing and Shopping Online**
  – Install spyware and virus protection software on your computer.
  – Only provide SSN or financial account information if on a secure website.

• **Email**
  – Never send SSN or financial information by email unless using encryption software.
Identity Theft Services:
Be Careful
Identity Theft Insurance Coverage

• Many of these services are loaded with fine print that limits your coverage to only “accounts” related to your credit report. This excludes coverage for banking, checking, and retirement accounts.
• Many are worded with qualifying terms: “…usually, we pay these expenses on your behalf…”
• Many do not cover legal fees or lost financial expenses incurred in repairing the effects of identity theft.
• Most plans are VERY LIMITED in what they cover.
• Many come with a very high deductible.
• There are usually NO GUARANTEES your claims will be reimbursed.
Identity Theft
Prevention/Resolution Services

• Remember, ID theft cannot be “prevented” by any service
• Typically, monthly fees are charged for these services, but often these services tack on additional fees when you actually need something done.
• Many exclude “non-financial” effects of identity theft from coverage (liens, judgments, incorrect criminal records, etc.)
• Many just send you a very general manual when you need ID theft resolution and spend a limited amount of time with you on the phone, leaving you essentially on your own to resolve the situation.
Identity Theft Restoration Services

• These services claim to restore the victim’s identity after an incident.
• Many require that you sign a limited power of attorney and a licensed investigator handles the majority of the restoration on your behalf.
• Though it is after-the-fact care, many of these services can be effective. However, always read the fine print of any agreement.