



# Spotting ID Theft Red Flags

## A Guide for FACTA Compliance

An IDology, Inc. Whitepaper

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With a November 1<sup>st</sup> deadline looming for financial companies and creditors to comply with Sections 114 and 315 of the Fair and Accurate Transactions Act of 2003 (FACTA), also known as Red Flag regulations, many are scrambling to understand how the new rules affect their company let alone how to meet them.

At a basic level, Red Flag regulations require financial institutions and creditors to develop and deploy an Identity Theft Prevention Program to combat id theft on new and existing accounts. The ultimate goal is to reduce the billions of dollars individuals and businesses lose to identity theft each year, which according to a 2008 study published by Javelin Strategy & Research totaled \$45 billion in 2007.<sup>1</sup>

There are 26 specific Red Flag examples to consider if your business is subject to the FACTA rules, which “according to the Federal Trade Commission (FTC) could even include someone who obtains a credit report on a prospective nanny.”<sup>2</sup> However, depending on your business, you could have more than 26.

Detecting and preventing identity theft is a lot easier and less costly than you think when you have a clear understanding on how to best address the different categories under Red Flag. The good news is you probably have several procedures already in place to detect fraud and there are new technologies that you can easily deploy to cover areas you still need to address.

This whitepaper is designed to serve as a guide to compliance so that you can easily put your Identity Theft Prevention Plan into action.

1. Javelin Strategy & Research Report, “2008 Identity Fraud Survey Report, Consumer Version,” February 2008, p. 1.

2. Robert Mullins Contributor, “FACTA’s red flags of identity theft,” *Compliance and Governance Digest*, February 2008

## Determining If Red Flag Compliance Applies To You

Essentially you are required to comply with FACTA if you maintain financial information on consumers. Under the final Red Flag rules, only those financial institutions and creditors that offer and maintain “covered” accounts must develop and implement a Program.

Companies that must comply include:

- Banks
- Credit Unions
- Mortgage Brokers
- Auto Dealers
- Debt Collectors
- Credit Issuers
- Utility Companies
- Telecommunications Companies
- Healthcare Companies

If you are reading this paper, perhaps you already know your company needs to comply. Being able to do so is going to take input and effort from several different resources within your business including Compliance, Sales, Customer Service, IT, Fraud Departments and ultimately your Executive Officers and Board of Directors.

### Defining a Covered Account:

1. An account primarily for personal, family, or household purposes that involves or is designed to permit multiple payments or transactions; (e.g. checking account, credit card, mortgage or auto loan, phone or utility bill etc.)
2. Any other account where there is a reasonably foreseeable risk to customers or the safety and soundness of the financial institute or creditor from identity theft