

REPORT

*Federal Trade Commission
Overview of the
Identity Theft Program*

October 1998 – September 2003



September 2003

FTC Identity Theft Program

In 1998, Congress enacted the Identity Theft and Assumption Deterrence Act (“the Identity Theft Act” or “the Act”),¹ directing the Federal Trade Commission to establish the federal government’s central repository for identity theft complaints and to provide victim assistance and consumer education. Specifically, Congress directed the Commission to establish procedures to: (1) log the receipt of complaints by victims of identity theft; (2) provide identity theft victims with informational materials; and (3) refer complaints to appropriate entities, including the major national consumer reporting agencies and law enforcement agencies.² The attached timeline illustrates significant milestones in the Commission’s Identity Theft Program. Figure 1. The core initiatives of the program seek to assist victims, educate consumers, law enforcement and the business community, and maintain and disseminate information from the Identity Theft Data Clearinghouse (“Clearinghouse”).

I. Assisting Identity Theft Victims

On November 1, 1999, the Commission began collecting complaints from consumers via a toll-free telephone number, 1-877-ID THEFT (438-4338). From conception through 2002, the number of complaints the FTC received doubled every year. From January through July of this year, the Commission already has received over 131,000 complaints with a projected total of 210,000 by year’s end. Figure 2. Callers to the telephone hotline receive counseling from specially trained personnel who provide general information about identity theft, help guide victims through the steps needed to resolve the problems resulting from the misuse of their identities, and advise victims having particular problems about their rights under relevant consumer credit laws. If the investigation and resolution of the identity theft falls under the jurisdiction of another regulatory agency that has a program in place to assist consumers, callers also are referred to those agencies.

The FTC’s identity theft website, located at www.consumer.gov/idtheft, provides equivalent service for those who prefer the immediacy of an online interaction. The site contains a secure complaint form, which allows victims to enter their identity theft information for input into the Clearinghouse. Victims also can read and download the resources necessary for reclaiming their credit record and good name. One of these resources is the FTC’s tremendously successful consumer education booklet, *Identity Theft: When Bad Things Happen to Your Good Name*. The 26-page booklet, now in its fourth edition, comprehensively covers a range of topics, including the first steps to take for victims, how to correct credit-related and other problems that may result from identity theft, tips for those having trouble getting a police report taken, and advice on ways to protect personal information. It also describes federal and state resources available to victims who may be having particular problems as a result of their identity theft. Last year, the FTC released a Spanish language

¹ Pub. L. No. 105-318, 112 Stat. 3007 (1998) (codified at 18 U.S.C. § 1028).

² *Id.* at 3010.

version of the Identity Theft booklet, *Robo de Identidad: Algo malo puede pasarle a su buen nombre*. The FTC alone has distributed more than 1.2 million copies of the booklet since its release in February 2000.³

II. Outreach and Education

The Identity Theft Act also directed the FTC to provide information to consumers about identity theft. Recognizing that law enforcement and private industry are important in helping consumers both to minimize their risk and to recover from identity theft, the FTC expanded its mission of outreach and education to include these sectors.

A. Consumers

The FTC has lead coordination with other government agencies and organizations in the development and dissemination of comprehensive consumer education materials for victims of identity theft and those concerned with preventing this crime. The FTC's extensive consumer and business education campaign includes print materials, media mailings, and radio and television interviews. The FTC also maintains the identity theft website, which includes the publications and links to testimony, reports, press releases, identity theft-related state laws, and other resources.

B. Law Enforcement

Because law enforcement at the state and local level can provide significant practical assistance to victims, the FTC places a premium on outreach to these agencies. Following the successful transfer of identity theft complaint records from the state of Georgia into the Clearinghouse, the staff joined with North Carolina's Attorney General Roy Cooper to send letters to every other Attorney General to explain the FTC's identity theft program and how each Attorney General could use the resources of the program to better assist residents of his or her state. The letter encourages the Attorney General to link to the consumer information and complaint form on the FTC's website and to let residents know about the hotline, stresses the importance of the Clearinghouse as a central database, and describes all of the educational materials that the Attorney General can distribute to residents.

Other outreach initiatives include participation in a "Roll Call" video and CD-ROM resource guide produced by the Secret Service, which will be sent to over 40,000 law enforcement departments across the country to instruct officers on identity theft, investigative resources, and victim assistance.

³ Other government agencies, including the Social Security Administration, the SEC, and the FDIC also have printed and distributed copies of *Identity Theft: When Bad Things Happen to Your Good Name*.

C. Industry

(1) Victim Assistance. Identity theft victims spend significant time and effort restoring their good name and financial records. As a result, the FTC devotes substantial resources to working with the private sector to improve victim assistance. One such initiative arose from the burdensome requirement that victims complete a different fraud affidavit for each different creditor with whom the identity thief had opened an account.⁴ To reduce that burden, the FTC worked with industry and consumer advocates to create a standard form for victims to use in resolving identity theft debts. From its release in August 2001 through May 2003, the FTC has distributed more than 293,000 print copies of the ID Theft Affidavit. There have also been nearly 370,000 hits to the Web version. The affidavit is available in both English and Spanish.

The three major credit reporting agencies (“CRAs”) recently launched a new initiative, the “joint fraud alert.” After receiving a request from an identity theft victim for the placement of a fraud alert on his or her consumer report and for a copy of that report, each CRA now shares that request with the other two CRAs, thereby eliminating the requirement that the victim contact each of the three major CRAs separately.

This fall, the FTC will begin a one-year pilot program to refer complaints to the CRAs. The FTC will forward to the CRAs certain complaints reported to the FTC that contain issues related to credit report accuracy. The CRAs will review the complaints and act as necessary or appropriate to resolve the dispute.

(2) Information Security Breaches. The FTC also is working with institutions that maintain personal information to identify ways to help keep that information safe from identity theft. Last year, the FTC invited representatives from financial institutions, credit issuers, universities, and retailers to an informal roundtable discussion of how to prevent unauthorized access to personal information in employee and customer records. The FTC will soon publish a self-assessment guide to make businesses and organizations of all sizes more aware of how they manage personal information and to aid them in assessing their security protocols. This guide will be available on the identity theft website along with a business kit providing steps to take in the event of an information compromise.

III. Identity Theft Data Clearinghouse

The final mandate for the FTC under the Identity Theft Act was to log the complaints from victims of identity theft and refer those complaints to law enforcement agencies. Before launching this complaint system, the Commission met with law enforcement and regulatory agencies to ensure that it

⁴ See *ID Theft: When Bad Things Happen to Your Good Name: Hearing Before the Subcomm. on Technology, Terrorism and Government Information of the Senate Judiciary Comm.* 106th Cong. (2000) (statement of Mrs. Maureen Mitchell, Identity Theft Victim).

would meet the needs of criminal law enforcement. Access to the Clearinghouse via the FTC's secure Web site became available in July, 2000. To ensure that the database operates as a national clearinghouse for complaints, the FTC has solicited complaints from other sources. For example, in February 2001, the Social Security Administration Office of Inspector General (SSA-OIG) began providing the FTC with complaints from its fraud hotline, significantly enriching the FTC's database.

Since the inception of the Clearinghouse, more than 670 law enforcement agencies, from the federal to the local level, have signed up for access to the database. Within those agencies, over 4,200 individual law enforcement agents can access the system from their desktop computers twenty-four hours a day, seven days a week. The Commission continually seeks even greater participation, especially in places with high incidence of identity theft.

One of the goals of the Clearinghouse and the FTC's identity theft program is to provide support for identity theft prosecutions nationwide. Last year, in an effort to further expand the use of the Clearinghouse among law enforcement, the FTC, in cooperation with the Department of Justice and the United States Secret Service, initiated a full day identity theft training seminar for state and local law enforcement officers. To date, sessions have been held in Washington, D.C., Des Moines, Chicago, San Francisco, Las Vegas, Dallas, Phoenix, New York, and Seattle. The final training seminar currently planned for this year will be in Texas. The FTC also helped the Kansas and Missouri offices of the U.S. Attorney and State Attorney General conduct a training seminar in Kansas City. More than 1000 officers have attended these seminars, representing more than 280 different agencies.

The FTC staff also helps develop case leads.⁵ Now in its second year, the Commission runs an identity theft case referral program in coordination with the United States Secret Service. The Secret Service has assigned a special agent to the Commission to assist with identity theft issues and has provided the services of its Criminal Research Specialists.⁶ Together, the FTC and Secret Service staff develop preliminary investigative reports by examining significant patterns of identity theft activity in the database and refining the data through the use of additional investigative resources. Thereupon, the staff refer the investigative reports to appropriate Financial Crimes Task Forces and other law enforcers located throughout the country for further investigation and potential prosecution.

The Clearinghouse provides a much fuller picture of the nature, prevalence, and trends of

⁵ The FTC also provides a "Hot Search" investigative assistance function. In situations where a law enforcement officer's search is unusually complex and the timeframe is tight, they are able to send us an email at idtsearch@ftc.gov, and we will assist them using our more powerful in-house search tools, as time permits.

⁶ The referral program complements the regular use of the database by all law enforcers from their desk top computers.

identity theft than was previously available.⁷ Analyzing the data has allowed the FTC to pinpoint suspects, compile information on the forms that identity theft takes, and direct outreach efforts. It has not, however, allowed the FTC to estimate the actual incidence of identity theft, or assess its duration or effect on victims over time. In part, that is because victims often contact the FTC soon after they discover that their information has been misappropriated, but before they are fully aware of the extent of the harm caused by the theft of their information. In addition, as a victim-reported system, the FTC has no way to ensure that the relative proportions of the various categories of identity theft reported to the Clearinghouse accurately represent the occurrence of those forms in the population as a whole. To address these issues, the FTC contracted with Synovate, Inc., to conduct a broad-based survey on identity theft. The results of this work can be found in the Survey Study accompanying this report.

Legislative Proposals

On January 1, 2004, the provisions of Section 624 of the Fair Credit Reporting Act (“FCRA”) which set out certain uniform national standards, will expire unless Congress takes steps to extend them or make them permanent. The Commission has testified at hearings⁸ in support of national uniform standards as well as additional amendments to the FCRA and other statutes that would improve protections for consumers and, in particular, victims of identity theft.⁹ Proposals particularly directed at addressing identity theft include:

- *National fraud alert system* - The Commission supports standardizing the means by which consumers who reasonably suspect they have been or may be victimized by identity theft, or who are military personnel on active duty away from home, can place an alert on their credit files.
- *Identity theft account blocking* - This proposal would require CRAs immediately to cease reporting (“block”) allegedly fraudulent account information on consumer reports when the consumer submits a police report or similar document, unless there is reason to believe the report is false.
- *Truncation of credit and debit card receipts* - In many instances, identity theft results from

⁷ Charts that summarize 2002 data from the Clearinghouse can be found at www.consumer.gov/idtheft and www.consumer.gov/sentinel.

⁸ The Commission testified on July 9 and 10, 2003 before the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Affairs respectively. The testimony can be found at <http://www.ftc.gov/os/2003/07/fcratest.html> and <http://www.ftc.gov/os/2003/07/fcrasenatest.htm>.

⁹ The Commission supports the Treasury Department’s proposals, and has recommended two additional proposals regarding the duty of furnishers to respond to disputes directed to them by consumers and the clarification of the application of the FCRA to investigations of employee misconduct.

thieves obtaining access to card numbers on receipts. This source of fraud could be reduced by requiring merchants to truncate account numbers on the receipt.

- *Enhanced criminal penalties for identity theft* - One way to deter identity theft is to increase the likelihood of prosecution. Legislation proposed last year would create a new crime of “aggravated identity theft,” with stiff penalties and streamlined proof provisions.
- *“Red flag” indicators of identity theft* - This proposal would direct banking regulators to identify and maintain a list of “red flag” indicators of identity theft for use in their oversight of financial institutions they regulate.
- *Information sharing by debt collectors and creditors with identity theft victims* - This proposal would obligate debt collectors and creditors to provide victims with information about accounts opened by the identity thieves.
- *Keeping fraudulent debt from being transferred or reported* - This proposal would require a debt collector to notify the creditor when it learns that an account it is collecting is fraudulent. In turn, a creditor, once it learns that an identity theft caused a debt, would be prohibited from selling or transferring the debt for collection, and from reintroducing the fraudulent information into a consumer report.

2004 and Beyond

The Commission will work vigorously to develop new initiatives to reduce or mitigate the impact of identity theft. In particular, the Commission will expand its partnerships with law enforcement and other government agencies to promote the investigation and prosecution of identity thieves, to capture more data on identity theft, and to provide more extensive analysis of such data. The Commission and its partners will continue to conduct law enforcement training seminars and examine other initiatives to support aggressive enforcement. Finally, the Commission will continue to work with industry to develop best practices in information security and fraud prevention as well as new initiatives to assist victims. The data from the Synovate Survey will improve the Commission’s ability on how best to focus its efforts in all of these areas.

Number of Complaints Entered Into the IDT Data Clearinghouse 1999-2003



Federal Trade Commission
Created September 2003

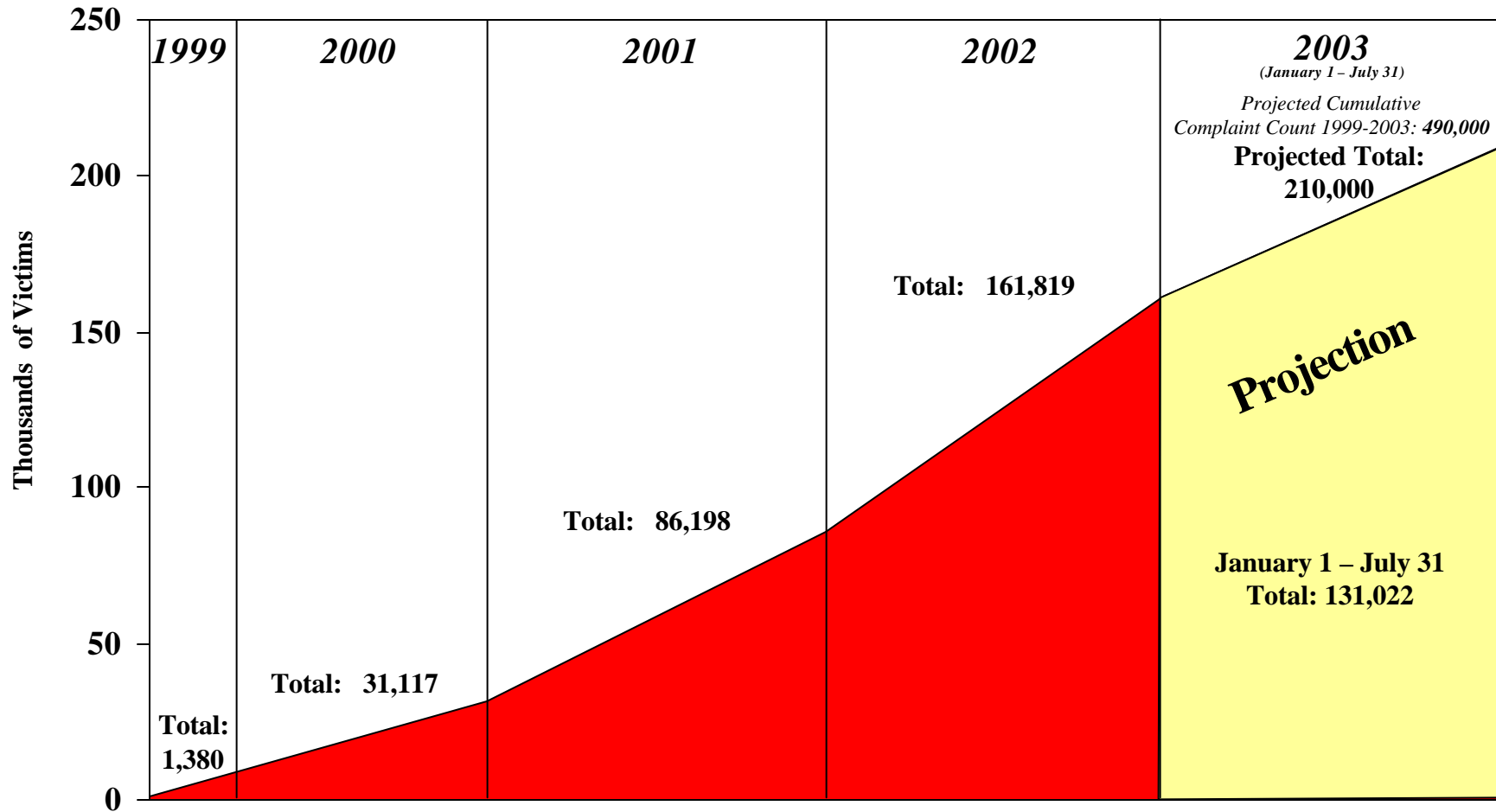


Figure 1

TIMELINE of FTC's IDENTITY THEFT (IDT) PROGRAM

1998-1999



Federal Trade Commission
Created September 2003

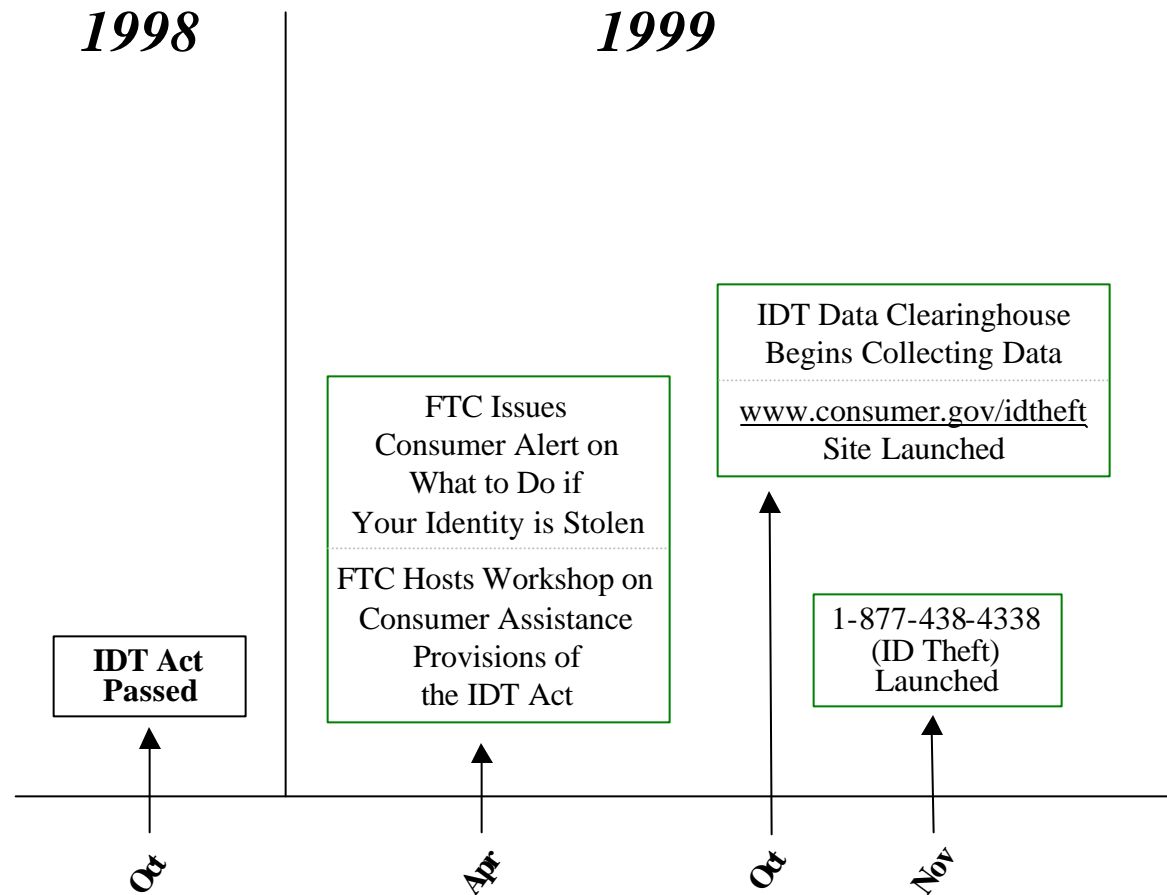


Figure 2(A)

TIMELINE of FTC's IDENTITY THEFT (IDT) PROGRAM



Federal Trade Commission
Created September 2003

2000-2001

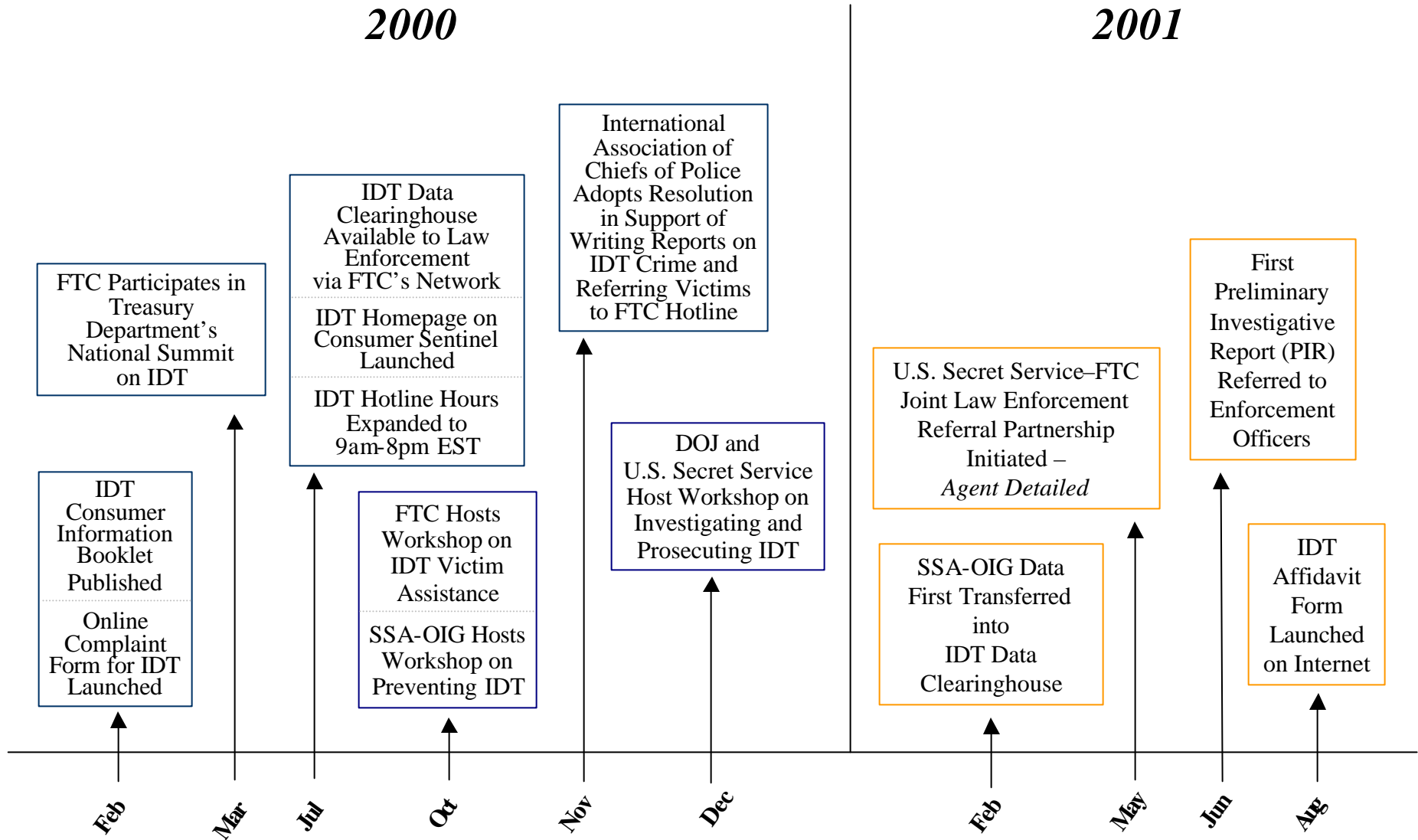


Figure 2(B)

TIMELINE of FTC's IDENTITY THEFT (IDT) PROGRAM



Federal Trade Commission
Created September 2003

2002-2003

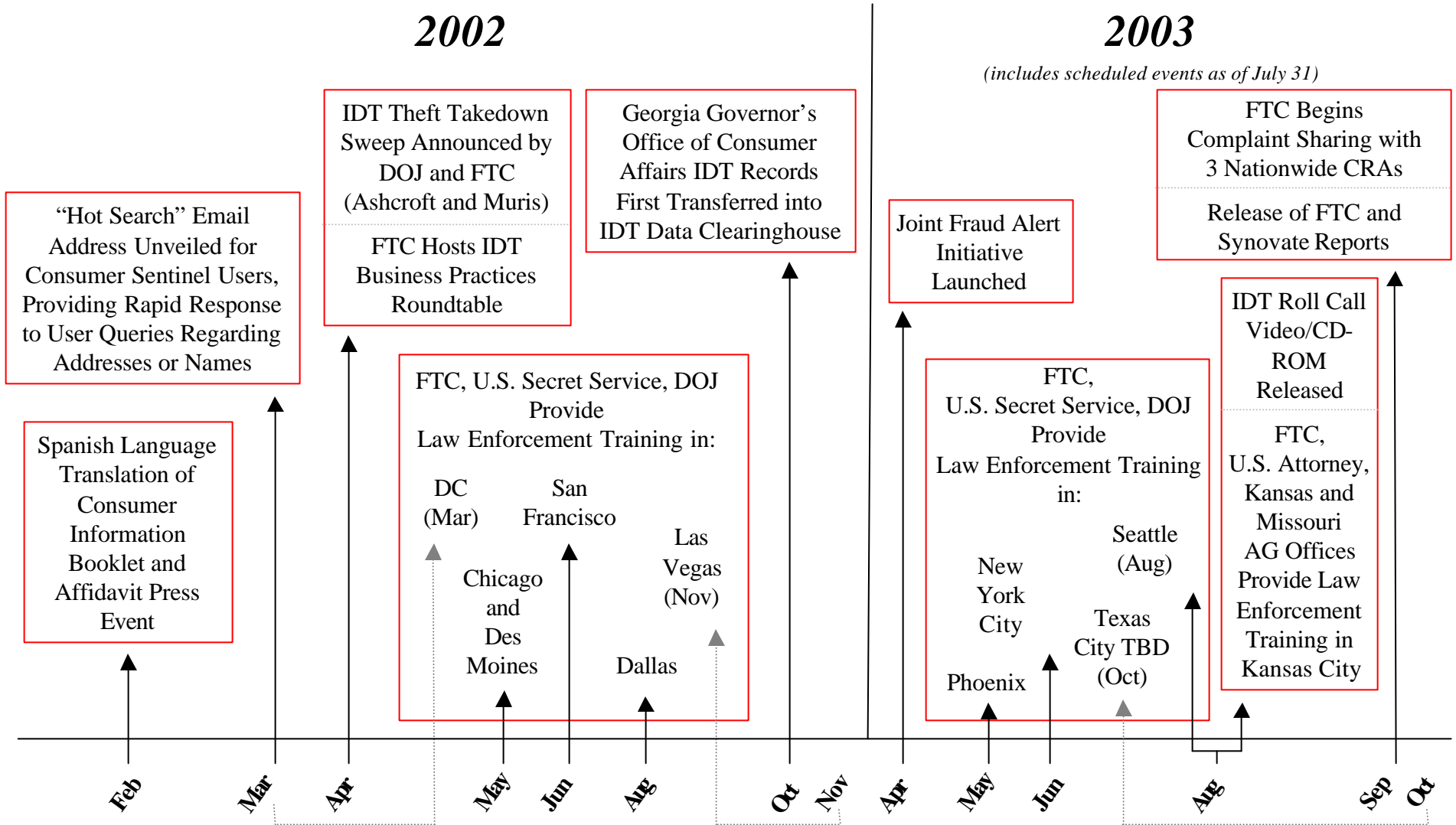


Figure 2(C)

TIMELINE of FTC's IDENTITY THEFT (IDT) PROGRAM 2000-2003



Federal Trade Commission
Created September 2003

| | 2000 | 2001 | 2002 | | 2003 <i>(January 1 – July 31)</i> | |
|--|---------------------|---------------------|---------------------|--------------------|--------------------------------------|---------------------|
| Annual Count of Consumer Information Booklets and Affidavits Distributed¹ | English: 156,706 | English: 282,055 | English: 641,695 | Spanish: 25,471 | English: 278,300+ | Spanish: 44,600+ |
| Cumulative Total of Law Enforcement Departments with Access to IDT Data Clearinghouse | 150+ | 250+ | 500+ | | 670+ | |
| Annual Count of Preliminary Investigative Reports Referred to Law Enforcement | | 4 | 21 | | 6 | |

¹The Spanish language translation of the consumer information booklet and affidavit was released February 2002. Also, since January 2003, most bulk requests have been fulfilled with 10 printed copies plus a copy of the CD-ROM version.

Figure 2(D)