

FRAUD ALERT

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: April 2008

Fraud ALERT NO.: 08-FRAUD-05

TO: Federally-Insured Credit Unions

SUBJ: Credit Repair Scam Through Claim of Identity Theft

Dear Board of Directors:

The purpose of this fraud alert is to inform you of a scam that involves falsely filing an identity theft claim for the purposes of improving one's credit report and credit score. The perpetrators are claiming identity theft and filing police reports, causing disputed accounts to be removed from their credit reports (either permanently due to lack of investigation or conclusion, or temporarily while under dispute). While the accounts are removed, credit history improves and credit scores increase dramatically. The perpetrator then obtains credit from one or more credit grantors during the time when the credit score is inflated. The loans obtained through the use of the improved credit history and credit score subsequently go unpaid.

Credit union personnel need to be aware of this activity. Precautions should be taken when a credit report is obtained that reflects the person is a victim of identity theft. That person should be able to provide such documents as the police report they filed, the listing of disputed accounts, and the name(s) of the credit bureaus they filed with. Consideration should also be given to obtaining credit reports from more than one credit reporting agency in these situations as the perpetrator may have only attempted to "clean up" their credit report with one agency.

Management must ensure they file a Suspicious Activity Report when required by established regulation. As specified by NCUA Rules & Regulations Part 748, management must provide notice to the appropriate NCUA Regional Director, and in the case of state-chartered credit unions, to their state supervisory authority.

Sincerely,

/s/

David M. Marquis
Director of Examination & Insurance