

HOUSEHOLD 

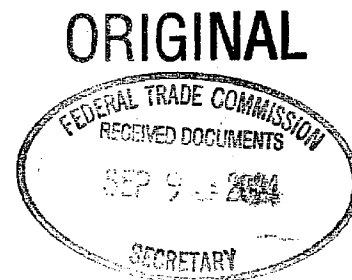
SEP 07 2004

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Prospect Heights, IL 60070

847 564 5000 Telephone
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August 30, 2004

Federal Trade Commission
600 Pennsylvania Avenue N.W.
Washington, D.C. 20580



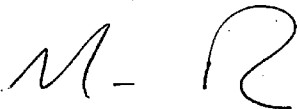
Re: FACTA Identity Theft & Rule Matter No. R411011

To Whom It May Concern:

I attempted on June 15, 2004 to electronically submit comments regarding the above matter. The site was unclear as to whether or not my submission was accepted, so I am enclosing a copy for your records of the letter I attempted to send.

Please contact me at 847-564-7941 if you have any questions.

Sincerely,



Martha Pampel
Associate General Counsel
Household International, Inc.

June 15, 2004

Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(Submitted Electronically via www.regulations.gov)

Re: FACTA Identity Theft & Rule, Matter No. R411011

Household Bank (SB), N.A. and Household Finance Corporation (together, with their subsidiaries, "Household") respectfully provide comments to the Federal Trade Commission's ("FTC") proposal relating to identity theft definitions, the duration of active duty alerts, and the definition of "appropriate proof of identity" under the Fair Credit Reporting Act ("FCRA") ("Proposed Rule"). Household is a leading provider of credit cards and other secured and unsecured consumer products. Household appreciates this opportunity to provide comments on the Proposed Rule.

Definition of "Identity Theft"

The FCRA, as amended by the Fair and Accurate Credit Transactions Act ("FACT Act"), includes new consumer protections related to identity theft. FCRA now allows a victim alleging an identity theft to obtain an "identity theft report" which can be used to correct credit files affected by the identity theft and to insert an extended fraud alert on the victim's credit file.

The FCRA defines "identity theft" as "a fraud committed using the identifying information of another person, subject to such further definition as the Commission may prescribe, by regulation." The Proposed Rule defines "identity theft" as "a fraud committed or attempted using the identifying information of another person without lawful authority." We support the proposed modification of the definition to include the words "without lawful authority" which may help prevent unscrupulous individuals from subverting the provisions. We are concerned, however, that the definition also includes "attempted" identity theft. Unnecessarily broadening the definition to include attempts is unwarranted by the statute, and may actually harm consumers by diverting scarce resources to individuals who have not actually been victimized by identity theft at the expense of those who have. Victims of an attempt already have the ability to remove resulting inquiries from their files using the dispute process in Section 611 of the FCRA or by contacting the furnisher of such information under Section 623(a)(1)(B) of the FCRA (if the furnisher specifies an appropriate address, which many do). Moreover,

these consumers can place a fraud alert on their credit file by asserting "in good faith a suspicion that the consumer has been or is about to become a victim of fraud or related crime." Thus, the definition of "identity theft," and therefore the resources dedicated to identity theft victims, need not be diluted by including attempted, but unsuccessful, identity theft activities.

Definition of Identity Theft Report

The "identity theft report" established by the FACT Act gives consumers increased ability to prevent data from being provided to users of consumer reports. Because these provisions could be abused by individuals seeking to remove negative, but accurate, information from their credit files, the statute provides for some protections against fraud by making an identity theft report a document that, "at a minimum," is filed with an appropriate law enforcement agency, the filing of which subjects the person filing the report to criminal penalties for false statements if the report is false. The Proposed Rule expands on this definition to make an "identity theft report" a report:

- That alleges identity theft with as much specificity as possible;
- That is a copy of an official, valid report filed by the consumer with a federal, state, or local law enforcement agency;
- The filing of which subjects the person filing the report to criminal penalties relating to the filing of false information if the report is false; and
- That may include additional information or documentation that a furnisher or consumer reporting agency reasonably requests for the purpose of determining the validity of the identity theft, provided that the request is made no later than five business days after the report is received.

This definition provides added safeguards by requiring the consumer to allege identity theft "with as much specificity as possible" and allowing the furnisher/consumer reporting agency to request additional information. We support inclusion of these concepts in the regulation, however, we believe additional safeguards are necessary to maintain the integrity of the credit reporting system.

The FACT Act provides that an "identity theft report" is a report that, "at a minimum," is filed with an "appropriate" law enforcement agency. The Proposed Rule omits this critical requirement and we urge the FTC to include it in the Final Rule. Requiring an individual to file an identity theft report with a law enforcement agency that has the jurisdiction to investigate the allegations in the report and take appropriate action provides a significant deterrent to those who may attempt to abuse the system. This deterrent is essential to preventing misuse of the system by individuals seeking an easy way to fraudulently fix their credit profile.

The provisions allowing furnishers and consumer reporting agencies to request additional information also appear too limited and thus may prove to be unworkable. Because a creditor needs time to receive the identity theft report, review it, and search its own records to establish whether additional information is required, a more appropriate timeframe would be ten business days. The Proposed Rule also unreasonably limits the ability to request additional information to that which is required to determine the “validity of the alleged identity theft,” when there are other legitimate reasons to request information from the consumer. For example, additional information may be needed to clarify the information to be blocked or to obtain additional details of the fraud. While these may not relate specifically to the “validity” of the claim, they are reasonable requests that will enhance the system for both consumers and creditors. Finally, it would be helpful if the Final Rule set forth from whom such information could be requested, and the consequences of a refusal to provide the requested information.

Duration of an Active Duty Alert

FCRA provides that military personnel who meet the definition of an “active duty military consumer” may request that an active duty military alert be placed in their credit files. This provides such military personnel with important protections against possible identity theft while deployed. The FCRA provides that an active duty military alert has a duration of at least twelve months, although the FTC may provide for a longer duration.

The FTC has proposed that the duration of an active duty alert remain at twelve months, which the FTC states will cover adequately the time period for which the majority of service members will be deployed. The FTC notes that such personnel can request a subsequent alert to be placed in their files if more time is needed. However, as noted in the Proposal, the time required for military training and transport may lengthen the time of actual deployment, and in many cases an individual’s orders are for a two-year period, even if that full period is not actually served. As it is the military personnel deployed for a period longer than a year who are least likely to be in a position to monitor their credit or to request a subsequent alert, we would suggest that the time period be extended to eighteen months. Appropriate identification procedures should address the concern expressed by the FTC that returning service personnel may find it more difficult to remove an alert than to place one on their credit file.

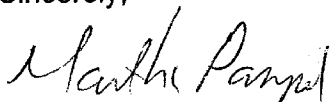
Definition of Appropriate Proof of Identity

The FACT Act directs the FTC to determine what constitutes “appropriate proof of identity” for purposes of Sections 605A (fraud alerts), 605B (tradeline blocking), and 609(a)(1) (Social Security number truncation) of the FCRA. It is critical that a consumer present “appropriate proof of identity” in connection with the activities under these sections in order to ensure that the consumer’s request is matched with his file and to ensure that the consumer is truly the person making the request. We agree with the FTC’s approach in the Proposed Rule requiring consumer reporting agencies to “develop and implement reasonable requirements for what information consumers shall

provide to constitute proof of identity for purposes of sections 605A, 605B, and 609(a)(1)" of the FCRA.

Household appreciates this opportunity to submit comments on the Proposed Rule.

Sincerely,

A handwritten signature in cursive script that reads "Martha Pampel".

Martha Pampel
Associate General Counsel
Household International, Inc.

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