# Identity Theft

# Recent Related Meetings

- **National Summit on Identity Theft**
  - *Treasury Dept – March 2000*

- **Identity Theft Victim Assistance Workshop**
  - *FCC – October 2000*

- **Identity Theft Prevention Workshop**
  - *SSA – October 2000*

- **Identity Theft Law Enforcement Workshop**
  - *DoJ/SS – December 2000*

# Background

- *Disconnect:* Identity defined in databases.
  Identity attached to an actual person.

- Database identity is bought and sold.

- Information technology greatly amplifies execution and effect of ID theft.

- Identity theft generally tied directly to the Social Security Number.

- Change of address is a major element of ID theft.

# Present Situation

- **Identity Theft and Assumption Deterrence Act passed by Congress in 1998.**

- **FCC opened Identity Theft Data Clearinghouse website in November 1999.**
  - Now approaching a call a minute.

- **Overriding need for public education on ID theft.**

- **ID theft is growing exponentially.**

- **Estimated ID theft 700K victims in 2000.**

# Present Situation cont'd.

- **One third of US households impacted in some way by ID theft.**

- **ID theft remains one of the more safe crimes, and usually does pay.**

- **Growing concern over organized crime or terrorist groups.**
  - **Large group to be targeted more for purpose of disruption than theft.**

# Occurrences of ID Theft

- **States with the highest reported instances of identity theft:**
  - California
  - New York
  - Florida
  - Texas
  - Illinois

- **Highest concentration relative to population:**
  - DC
  - Nevada
  - Arizona
  - California
  - Maryland

- **Top cities per capita:**
  - New York
  - Los Angeles
  - Chicago
  - Houston
  - Philadelphia

# Forms of ID Theft

- **Credit card fraud.**
  - Both new cards and change of address on existing cards.

- **Unauthorized phone and utility service.**
  - Particularly cell phones.

- **Bank fraud and fraudulent loans.**

- **Appropriation of government benefits.**

# Features of ID Theft

- **Average time between occurrence and discovery by the victim:  15 months.**

- **Most victims have no knowledge of perpetrator or the way stolen ID was acquired.**

    - Conviction rate is some 1%.

- **Loss to businesses is 0.1% of revenue.**

# Consequences of Identity Theft

- **Corruption of credit rating:**
  - Abrupt cancellation of credit cards without warning.
  - Credit card charge rejections without warning.
  - Loan denials.
  - Fraudulent bankruptcy filings.

- **Significant loss of time in resolution.**

- **Harassment by collection agencies.**

# Consequences of Identity Theft cont'd.

- **False arrest and detainment.**

- **Suspension of licenses.**

- **Conviction and prison records.**

# Social Security Number

- **Essential link among databases.**

- **Never intended as general identification.**
  - Businesses accept name and SSN – with nothing else – as identity.

- **SSNs have become widely accessible, widely displayed on documents.**

- **SSNs are sold on the Internet.**

# Commercial Transactions

- **Two components:**
  - Delivery of goods or services.
  - Assignment of financial obligation.

- **Two components can now be totally separated:**
  - Delivery of goods is between the provider and a present person.
  - Financial obligation is made to a database identity.

- **Credit agency is the actual mechanism that implements ID theft.**

# Business Paradox

- **Competitive Pressure:**
  - Targeted advertising.
  - Customized manufacturing.
  - Pre-approved unsolicited credit cards.

- **Marketing Dept:**
  - Competitive disadvantage in taking time to confirm identity.
  - Better to write off loss as cost of doing business.

# Business Paradox cont'd.

- **Security Dept:**
  - Confirm identity with multiple check items.
  - Reduce losses and protect against fraud.

- **Consumers:**
  - Instant gratification.
  - Reluctance to undergo more definitive procedures.
  - Concerns about invasion of privacy.

# Technology Paradox

- **Credit transactions:**
  - Initiation in the new economy.
  - Correction and recovery in the old economy.

- **Cell phone as an identifying device.**
  - Fraudulent ID in cell phone accounts are significant portion of ID thefts.

# Technology Solutions

- **E-mail alerts when entries or inquires are made to a credit report.**

- **Image device that participating merchants can use to confirm a face.**

- **Smart card activated by a thumbprint.**

- **Biometric ID systems are already in use within credit card companies.**

# Technology Solutions cont'd.

- **Databases used for early detection and notification.**

- **Incumbent on credit industry to develop procedures to prevent identity theft.**

- **SSN should be just a pointer connecting databases, not an identity.**

# Biometrics Identification

- **Connect database identity to the physical body.** *(real person goes to jail or otherwise suffers)*
  - Finger print systems using hash functions.
  - Facial imaging systems.
  - Smart cards requiring thumb print.
  - Retina and iris scans.
  - DNA systems.

- **Favored by law enforcement and victims.**

- **Consumer advocates express concerns over privacy.**

- **Concerns about road consequences of theft of biometrics ID.**

# Internet Issues

- **Sale of ID information.**

- **Rapid issuance of credit without physical confirmation.**

- **Fake websites capturing information or initiating transactions.**

- **Counterfeit ID documents available over the Internet.**

# Internet Issues cont'd.

- **Broadband Internet access to the public:**
  - Are current offerings to public responsible in terms of security?
  - Public cannot be expected to mount security efforts at level needed.
  - Is broadband marketed to public before it's ready for public consumption?

# Concerns and Suggestions Regarding Business Practices

- Businesses should be liable for damages to victims when due diligence is not exercised in establishing identity.

- Biometrics ID should be required, or there should be a procedure for an individual to choose to require it on all his/her own transactions.

- An address not agreeing with that currently on a credit report should not be taken as a change of address without confirmation.

# Concerns and Suggestions Regarding Business Practices cont'd.

- **Documentation of assignment of financial obligation should be provided to victims.**

- **People should be able to know and correct information on themselves in databases.**

# Concerns and Suggestions Regarding Law Enforcement

- **Need for biometrics ID.**

- **Better correlation of databases.**

- **Better legal access by law enforcement to ISP records.**

- **Different regulations applied to data and voice transmissions:**
  - ISPs
  - Phone companies
  - Cable companies

# Concerns and Suggestions Regarding Law Enforcement cont'd.

- **Crime typically spread over several states and law enforcement jurisdictions.**

- **Better due diligence on the part of businesses in verifying identity.**

# Congressional Testimony and Legislation

- Prohibit the use of the SSN as identification in commercial transactions.

- Prohibit the sale of SSN and other identifying information.

- Prohibit display of SSN by Federal and state agencies (badges, etc).

- Hold creditors and credit agencies accountable for verifying address changes.

# Congressional Testimony and Legislation cont'd.

- **Penalize creditors who extend credit without confirmation.**

- **Hold information brokers accountable for incorrect and fraudulent information.**

- **Notification of new credit card requests.**

- **Consumer access to information sold by information brokers.**

- **Some calls for National Privacy Commission.**

# End