

RED FLAG RULES COMPLIANCE

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Credit Report & Risk ID Examples Courtesy of Kroll Factual Data

Is This Your Company's Idea Of Red Flag Compliance?



Summary of the Law

- Rules apply to covered accounts which may be vulnerable to identity theft
- Rules apply to new and existing accounts
- All creditors and financial institutions must implement a program to detect, prevent and mitigate identity theft
- The plan must reflect the size, structure and business model of the institution and updated periodically
- The policy must be approved by the company's executive board must designate a person to oversee the program
- The designated person must implement the program, train staff, oversee audits, complete annual reports and monitor compliance

CREDITORS

Creditors are defined as a business or organization that regularly extends, renews or continues credit ; arranges for another entity to extend, renew, continue credit; or is the assignee of a creditor who extends, renews, and/or continues credit.

Examples are:

Finance Companies

Automobile Dealers

Utility Companies

Mortgage Brokers

Mortgage Companies

Telecommunications Companies

FINANCIAL INSTITUTION

Financial Institutions include:

State or National Banks

*State of Federal Savings & Loan
Associations*

Mutual Savings Bank

State or Federal Credit Union

Any other person or entity that directly or indirectly holds a transaction account where a consumer can make payments, drafts, or transfers.

Examples are:

- *Checking /Savings Account*
- *Brokerage Account (where consumers can write checks)*

COVERED ACCOUNTS

Examples of covered accounts:

credit cards

checking/savings accounts

car loans

mortgage loans

cell phone

utility bills

margin accounts

OTHER COVERED ACCOUNTS

Other covered accounts include small business or sole proprietorship accounts that may have risks associated with account opening or access

Identify Relevant Red Flags

Risk Factors for identifying relevant red flags are:

- Types of covered accounts offered or maintained
- Methods provided to open or access covered accounts
- Previous experiences with identity theft

Sources of red flags are:

- Incidents of identity theft that have been experienced
- Methods of identity theft reflecting changes in identity theft risks
- Applicable supervisory guidance

Five Categories of red flags are:

1. Alerts, notifications, or other warnings received from consumer reporting agencies or service providers
2. Presentation of suspicious documents
3. Presentation of suspicious personal identifying information
4. Unusual use of, or other suspicious activity related to, a covered account
5. Notice from customers, victims of identity theft, or law enforcement authorities

Procedures to Detect Re

- **Verify identity**
- **Authenticate customers**
- **Monitor transactions**
- **Verify validity of address changes**



Responses to Red Flags

- **Monitor accounts**
- **Contact customer**
- **Change passwords**
- **Close and reopen account**
- **Refuse to open account**
- **Don't collect on or sell account**
- **Notify law enforcement**
- **No response**

Red Flags

- The Federal Trade Commission has identified “26 Red Flags” to be used as a guide for drafting an internal policy
- The FTC list is not to be used as a “checklist” - companies must list sources and examples that are specific to their business model
- The compliance program should address day-to-day operations and internal workflow on an interdepartmental level as well as external branches & operations centers
- The program must address 3rd party originators, loan correspondents, closing agents and other service providers

Red Flags – Supplement A

- 1.** A fraud alert was indicated in the consumer report
- 2.** Notice of a credit freeze in a consumer report
- 3.** A consumer reporting agency provided notice of address discrepancy
- 4.** Unusual credit activity, such as an increased # of accounts or inquiries
- 5.** Documents provided for identification appear altered or forged
- 6.** Photograph on ID inconsistent with appearance of customer
- 7.** Information on ID inconsistent with information provided by customer
- 8.** Information on ID, such as signature, inconsistent with information on file at financial institution
- 9.** Application appearing forged, altered or destroyed and reassembled
- 10.** Information on ID does not match any address in the consumer report, SSN has not been issued or appears on the SSN Administration's Death Master File
- 11.** Lack of correlation between SS number range and date of birth
- 12.** Personal identifying information associated with known fraud activity
- 13.** Suspicious addresses supplied, such as a mail drop, prison, phone numbers associated with pagers or answering service
- 14.** SS number provided matches info submitted by another customer

Red Flags – Supplement A Continued

15. Address or phone number matches other applicants
16. Customer unable to supply identifying information in response to notification that the application is incomplete
17. Personal information inconsistent with information already on file at financial institution or creditor
18. Person opening account or customer unable to correctly answer challenge questions
19. Shortly after change of address, creditor receives request for additional users of account
20. Most of available credit used for cash advances, jewelry or electronics, plus customer fails to make first payment
21. Drastic change in payment patterns, use of available credit or spending patterns
22. An account that has been inactive for a lengthy time suddenly exhibits unusual activity
23. Mail sent to customer repeatedly returned as undeliverable despite ongoing transactions on active account
24. Financial institution or creditor notified that customer is not receiving paper account statements
25. Financial institution or creditor notified of unauthorized charges or transactions on customer's account
26. Financial institution or creditor notified that it has opened a fraudulent account for a person engaged in identity theft

Red Flags

- Red flags apply to covered accounts that include new or existing customer information accessed by the creditor or accessed by 3rd parties
- Red flags are identified on various sources:
 - *Documents furnished by the consumer*
 - *Documents furnished by transaction parties*
 - *Documents furnished by employers or other income source*
 - *Notices received from outside persons or entities in connection to the account being serviced*
- Red Flags are identified on consumer reports:
 - *Alerts, notifications or warnings on the credit report*
 - *Alerts noted on an SSN validation check*
 - *Alerts noted on a Factual ID or Fraud-Check*
- Ordering vendor reports, such as SSN checks or Factual ID are not mandatory ... but help support red flag detection
- Vendor reports can help a lender save time and also resolve “false positives” by clearing unwarranted discrepancies
- If a vendor report indicates any type of alert or variance, the lender must respond to that alert

Credit Report Components and Alerts

- Verify name, SSN, DOB
- Review all:
 - *Credit report freezes*
 - *Active duty alerts*
 - *Fraud alerts*
- Compare credit report data with application/accounts to find discrepancies
 - *Address history*
 - *SSN issuance/history*
- Analyze activity
 - *Inquiries*
 - *Types of accounts*
 - *Significant changes in activity and /or payments*

Risk Assessment Tools & Services

- Third party risk assessment tools/services can be used to detect red flags and support the program, but are not mandatory
- Risk assessment and red flag detection tools, such as Factual ID, help lenders find and investigate red flags using an automated system
 - *Reduces time spent detecting red flags*
 - *Allows detection, investigation, and outcome to be combined into one report*
 - *Improves ability to audit files and review program results, as well as update the program analytics, tolerances and action items*
- For example, Factual ID incorporates over 20 alerts to recognize red flags related to identity. Over half of the red flags can be investigated utilizing other services available with a simple click-thru action

Example - FactualID

KROLL FACTUAL DATA, 5200 HAHNS PEAK DRIVE LOVELAND, CO 80538 (800) 324-5005 OR FAX (800) 364-5005					
RESEARCH DEVELOPMENT TESTING ATTN MAGNUS HELLMARK LOVELAND, CO 80538 (970)663-5700 (866)516-3495		Client Tracking Amacommon	Requested by mon nocoperators	Report ID 80651RA00095301	
		FD client code 0651-NEWPRD	Date requested 11/4/2008 17:06	Charge 4.00	Current report view 3 of 3
Expand All Collapse All Print					
Primary Applicant (as requested)					
Applicant's Last Name Amacommon	First Name Louis	Middle Name D	Suffix	DOB	Social Security 248-48-0031
Risk Score					
0		High Risk		Low Risk	
Reassess Risk					
Risk Summary					
• Possible identity and occupancy/strawbuyer misrepresentation.		A06003, A06011, A07004, A07006			
Risk Categories					
Identity		Category Risk Factor: 1		Add Comments/Alert Action	
A06011	SSN used in death claim. - Applicant: Louis D Amacommon (248-48-0031) - Reported DOD: 4/12/1998; Age at death: 64 - Reported SSN: 248-48-xxxx - Reported Name:		ACTION(S): - Verify input. Review Social Security Card, pay stubs, W2's AND/OR tax returns FOR consistency. A06011 , A06003 - Require confirmation of the Social Security Number from the Social Security Administration. A06011 , A06003		
A06003	Other Name(s) than applicant showing on SSN Search. - Applicant: Louis D Amacommon (248-48-0031) - Other Names: ROTHEN L STRADFORD (1983-2008);				
Occupancy/Strawbuyer		Category Risk Factor: 1		Add Comments/Alert Action	
A07006	Applicant phone number identified as non-residential. - Applicant: Louis D Amacommon 970-663-5700		ACTION(S): - Compare all documents provided by applicant for address, including pay stubs, W2, tax returns, bank statements, etc. A07006 , A07004		
A07004	Applicant address does not appear on reverse phone search. - Applicant: Louis D Amacommon - Address: 11 99th St - 60750 - Listing Address(es): 5200 Hahns Peak Dr - 80538;		- Require proof of residency from applicant in the form of utility bills, insurance policies etc. A07006 , A07004		
OFAC/NSPLC List		Category Risk Factor: 5		Add Comments/Alert Action	
A11018	Applicant input name was similar to the following record(s) in OFAC's SDN or NS-PLC list: - Applicant: Louis D Amacommon - Similar Record: - Louis Amacommon - Address: LVIV GALICIA UKRAINE - Remarks: Test Case - Program: UKRAINE - Consult the OFAC brochure http://www.treas.gov/offices/enforcement/ofac/regulations/t11faccr.pdf for guidance		ACTION(S): - Using the link provided, gather any additional information to assist in the identification of the applicant vs the name on the list. A11018 - Refer to your Company Policy A11018		
Excluded Parties List		Category Risk Factor: 5		Add Comments/Alert Action	
No similar records found in Exclusionary List(s).					

Factual ID uses a cutting-edge risk assessment engine to comprehensively detect potential identity theft and misrepresentation

← Risk Score

← Risk Summary

← Red Flags / Alerts

← Action items

← Phone # and address discrepancies

← Incorporate custom exclusionary lists for names known to be associated with fraud; also include names from various watch lists (FBI, OFAC, etc)

Example - FactualID

Risk Categories		
Identity	Category Risk Factor: 1	Add Comments/Alert Action
A06011	SSN used in death claim. - Applicant: Louis D Amaccommon (248-48-0031) - Reported DOD: 4/12/1998; Age at death: 64 - Reported SSN: 248-48-xxxx - Reported Name:	ACTION(S): - Verify input. Review Social Security Card, pay-stubs, W2's AND/OR tax returns FOR consistency. A06011 , A06003 - Require confirmation of the Social Security Number from the Social Security Administration. A06011 , A06003
A06003	Other Name[s] than applicant showing on SSN Search. - Applicant: Louis D Amaccommon (248-48-0031) - Other Names: ROTH L STRADFORD (1983-2008);	
Occupancy/Strawbuyer	Category Risk Factor: 1	Add Comments/Alert Action
A07006	Applicant phone number identified as non-residential. - Applicant: Louis D Amaccommon 970-663-5700	ACTION(S): - Compare all documents provided by applicant for address, including pay stubs, W2, tax returns, bank statements, etc. A07006 , A07004 - Require proof of residency from applicant in the form of utility bills, insurance policies etc. A07006 , A07004
A07004	Applicant address does not appear on reverse phone search. - Applicant: Louis D Amaccommon - Address: 11 99th St - 60750 - Listing Address(es): 5200 Hahns Peak Dr - 80538;	

Automated detection of 20 red flags, including address discrepancies, suspicious addresses and phone numbers, plus SSN problems:

- Reported deceased
- Associated with other name(s)
- Issuance discrepancies
- No correlation to name/ DOB

Applicants (as requested)			
Subject Property (as requested)			
Social Security Number Search Results			
1	Louis D Amaccommon 248-48-0031		
Issuance			
SSN 248-48-0031 was issued prior to 1951 in South Carolina			
Name	Address	Record Date	Reported DOB
ROTHEL L STRADFORD	1668 DUCKWOOD Rd LANCASTER, SC 29720	7/1994 - 10/2008	2/ 2/ 1934
JOSE LANDSAFE	10 DOWN HI FREMONT, CA 94536	6/2008 - 10/2008	
LEE KYACOMMON	4093 LEAD ADDRESS Rd WAYNE, PA 19087	5/2008 - 9/2008	
JIMMY BIGSHOT	123 TEST EDED GLENDORA, CA 91741	8/2007 - 3/2008	
WILLIAM S FRAZIER	1517 E 8TH St STOCKTON, CA 95206	9/2006 - 9/2007	
LOUIS P AMACCOMMON	11 99TH St TOMMORROW, IL 60750	8/2000 - 8/2007	5/ 1/ 1901
Reverse Phone Search			
1	Louis D Amaccommon 970-663-5700		
Name	Address	Listing Type	Phone Type
Kroll Factual Data	5200 Hahns Peak Dr Loveland, CO 80538	Business	Landline

← SSN history

← Reverse phone search results

Example - FactualID

Risk Categories		
Identity	Category Risk Factor: 1	Add Comments/Alert Action
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A06003	Other Name[s] than applicant showing on SSN Search. - Applicant: Louis D Amacommon (248-48-0031) - Other Names: ROTHEN L STRADFORD (1983-2008);	

All	[Please select]	
A06011	[Please select]	
A06003	[Please select]	
	Remove Alert Impact	
	Documented Variance	
	Confirmed Identity Misrepresentation	
	Comments on A06011	

Submit All Cancel

Customize action items for each red flag, plus click to order third party verification: VOE, SSN, TRV

Risk Categories				
Identity		Category Risk Factor: 1		Add Comments/Alert Action
A06011		SSN used in death claim. - Applicant: Louis D Amacommon (248-48-0031) - Reported DOD: 4/12/1998; Age at death: 64 - Reported SSN: 248-48-xxxx - Reported Name:		ACTION(S): - Verify input. Review Social Security Card, pay-stubs, W2's AND/OR tax returns FOR consistency. A06011 , A06003 - Require confirmation of the Social Security Number from the Social Security Administration. A06011 , A06003
A06003		Other Name[s] than applicant showing on SSN Search. - Applicant: Louis D Amacommon (248-48-0031) - Other Names: ROTHEN L STRADFORD (1983-2008);		
Date	Entered by	Alert	Action	Comment
11/4/2008	Jess% 20Tillman	A06011	Comments on A06011	Requested SSN card, Ordered SSN verification w SSA

← Insert Comments & record outcome of investigation

Order History				
Order Number	Report Score	Requested By	Date	Report
1	0	mon nocoperators	10/26/08	View report
2	0	Jess Tillman	11/04/08	View report

← Versioning & Order History to protect against internal fraud