



What is a “Red Flag?”

A “Red Flag” is a pattern, practice or specific activity that indicates the possible existence of identity theft.

The Red Flag Rule implements sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act.) Section 114 of the FACT Act amends the FCRA and directs the Agencies to issue joint regulations and guidelines regarding the detection, prevention and mitigation of identity theft. Section 315 of the FACT Act adds a new section to the FCRA that provides guidance regarding reasonable policies and procedures that a user of a consumer report should employ when the user receives a notice of address discrepancy.

Section 114 applies primarily to the banking industry and requires a written policy and procedure known as the Identity Theft Prevention Program (Program.) The Program must have the following four elements:

- *IDENTIFY relevant Red Flags
- *DETECT Red Flags
- *RESPOND to Red Flags
- *Ensure Periodic UPDATES

Section 315 applies to “users of consumer reports” and requires that “a user of consumer reports must have policies and procedures to enable the user to form a reasonable belief that it knows the identity of the consumer for whom it has obtained a consumer report.”

What are the “Red Flags?”

Notifications or warnings from the Credit Reporting Agencies:

- Fraud or Active Duty Alerts
- Consumer File Freeze
- Notice of Address Discrepancy
- Unusually high number of recent inquiries
- Accounts that are closed for cause (i.e.: lost or stolen cards)

Suspicious Documents:

- Identification documents that appear to have been altered or forged
- The photograph or physical description does not match the applicant
- The signature on the application does not match the signature on the identification
- The identification appears to have been destroyed or damaged and reassembled (washed, torn, etc)
- Application is illegible or incomplete
- Other information on the identification does not match what your applicant is telling you

Suspicious Personal Identifying Information:

- The address provided on the application does not match any of the addresses on the credit report
- The Social Security Number provided has not been issued or is listed on the credit report as issued to someone reported as deceased.
- The social security number is reported on the credit report as having been issued before your applicant was born

What are your responsibilities? What should you do if you see a “Red Flag?”

As previously stated, the Red Flag Rule requires a user of consumer reports to “form a reasonable belief that it knows the identity of the consumer for whom it has obtained a consumer report.” What does this mean?

Question and Confirm

- Check illegible and incomplete applications *while your applicant is still standing in front of you*. Be certain you have and can read all relevant fields
- Check government issued photo identification. Be certain the photograph is the person standing in front of you. Compare the signature on the identification and the application. Verify that the address on the id is listed on the application – if not ask why.
- Look closely at the report you get back from the credit bureau. Check the date of birth – is it consistent with your applicant’s age?
- Are there Fraud Alerts or other Notifications from the credit bureau? QUESTION your applicant.
- Are the addresses reported the same as the addresses you submitted? Don’t be afraid to ask for verification such as imprinted check or utility bill that shows an address that is consistent with an address on the credit report

“Red Flags” are not necessarily cause for immediate denial.

Think of them as more of a highlighter – pay attention to the discrepancy and investigate it further. There is likely a *reasonable, verifiable* explanation.