

Identity Theft – How risky? What to Do?

Identity theft is becoming an increasing problem in the United States. Complaints filed in 2004 approached 250,000, an increase of over 50% in the last two years per the Federal Trade Commission (FTC) web site. This equates to almost 1 in every 1,200 people are affected by identity theft. Identity theft is a crime in which the imposter obtains key pieces of information such as Social Security and driver's license numbers and uses them for his or her own gain. Victims are left with a tainted reputation and the complicated task of restoring their good names. The majority of identify theft in 2004 per the FTC website was comprised of the following categories:

- Credit card fraud (28%)
- Phone/Utilities fraud (19%)
- Bank fraud (18%)
- Employment fraud (13%)

The Identity Theft Resource Center reports that in 2004 the average time to restore your good name was around 300 hours at a cost in the thousands of dollars (measured in lost wages, direct costs, and medical costs). It usually takes around six months to correct your credit problem. The center also sadly reports that the nearly 40% of identify theft is caused by a family member or friend.

Once identity thieves have your personal information, they use it in a variety of ways per the FTC:

- They may call your credit card issuer to change the billing address on your credit card account. The imposter then runs up charges on your account. Because your bills are being sent to a different address, it may be some time before you realize there's a problem.
- They may open new credit card accounts in your name. When they use the credit cards and don't pay the bills, the delinquent accounts are reported on your credit report.
- They may establish phone or wireless service in your name.
- They may open a bank account in your name and write bad checks on that account.
- They may counterfeit checks or credit or debit cards, or authorize electronic transfers in your name, and drain your bank account.
- They may file for bankruptcy under your name to avoid paying debts they've incurred under your name, or to avoid eviction.
- They may buy a car by taking out an auto loan in your name.
- They may get identification such as a driver's license issued with their picture, in your name.
- They may give your name to the police during an arrest. If they don't show up for their court date, a warrant for arrest is issued in your name.

So, how does one manage this risk? The **ARRT** to the risk management of identify theft is:

1. **AVOID** – not pragmatic, since you have an identity.

2. **REDUCE** – implement methods to reduce your risk; e.g. shredding personal documents at home.
3. **RETAIN** – you pay for all costs to remedy your” loss.” This is the time and money to correct the theft of your identify.
4. **TRANSFER** – insure the risk to restore your good name and credit.

Reducing your risk should be the foundation of your identify theft reduction plan. Most of the tactics is common sense, but some examples are:

- Review your bank and credit card statements monthly
- Order free credit reports from all three agencies every year using www.annualcreditreport.com. You are allowed one free report per agency per year (there are three agencies – Equifax, Experian and TransUnion). A preferred tactic is to stagger the requests every four months per agency. Thus, you are monitoring on a more frequent basis.
- Use locked mail boxes or a PO Box.
- Shred personal information at home using a cross cut shredder.
- Remove your name from mailing lists generated by telemarketers. For example, sign up for the “Do Not Call” registry - www.donotcall.gov, (888) 382-1222 and opt out of pre-screened credit cards by going to www.optoutprescreen.com or calling 888-5OPTOUT.
- You can request a fraud alert from any of the three reporting agencies. There are two types – initial that is good for 90 days and extended that lasts for seven years. A business must verify identity before issuing credit and it may require direct communication with you over the phone. This method, however, is not 100% foolproof.
- There are some states (ten so far) that have enacted legislation that allows credit freezes. This method is more foolproof than fraud alerts. There is typically a small fee for this service. A person must be contacted by phone and unlock their credit report before credit may be checked and issued. You are given a phone number and you have a PIN that “thaws” the freeze. This may take 2-3 days and therefore may be inconvenient for you. The states that offer this service may be found at http://www.consumersunion.org/campaigns/learn_more/002355indiv.html.

There are multiple methods of “insuring” your risk, but they are not as good a solution as prevention. You can pay for monitoring services or use identity theft insurance on your homeowners policy. Monitoring services range in price \$12 to \$150 per year. They, however, will only alert or detect for you a problem when it occurs. The correction as noted above can be time consuming and costly. Identity theft insurance can help you with activities and costs of restoring your credit. This insurance is relatively inexpensive (\$25-\$40 per year), but you need to carefully understand the coverage. For example, some policies do not cover the peril if it was caused b a family member. If you are currently working, the time saved by utilizing the services of the insurance company may be worthwhile to you. You should also ask your insurance agent for anecdotal stories on how this insurance has helped their customers as a guide in making a decision to buy.

The purpose of this article is to raise your awareness to the growing problem of identity theft and provide information on how to mitigate this risk. It is also ironic that the companies that are stuffing your mailboxes with credit offers (and thereby increasing your risk) are also marketing identity theft protection products for a fee. Identity theft deterrence reminds me of the old adage, "An ounce of prevention is worth a pound of cure." The path you select in protecting your identity is a personal choice. For more helpful information on this subject, here are some useful internet links. These sites will also guide you in the restoration process if you are unfortunately a victim of identity theft.

Federal Trade Commission: <http://www.consumer.gov/idtheft/>

Identity Theft Resource Center: <http://www.idtheftcenter.org/index.shtml>

Privacy Rights Clearinghouse: <http://www.privacyrights.org/identity.htm>

ID Theft web site: <http://www.idtheft.com/intro.php>