

IDENTITY THEFT PREVENTION PROGRAM

REQUIREMENTS

All financial institutions and "creditors" with "covered accounts" fall under the new Red Flag Rules law.

Financial Institutions:

Banks, Credit Unions, Car Dealerships, RV Dealerships, Credit Card companies, all Utility companies public or private, government and municipalities included (even non-profits).

Creditors may include:

1. Any company that offers a good or service and delays billing (therefore having covered accounts.)
2. Hospitals, healthcare companies, even small medical clinics, basically any company that bills a consumer or business for a service or good (even non-profit organizations).

WHAT DO I HAVE TO DO?

BASICALLY, IF YOUR COMPANY FALLS UNDER THE GUIDELINES OF RED FLAG RULES, YOU MUST:

ESTABLISH A WRITTEN IDENTITY THEFT PREVENTION PROGRAM. (ITPP)

THE (ITPP) PROGRAM SHOULD INCLUDE:

- * EMPLOYEE TRAINING
- * MITIGATION
- * OVERSIGHT OF SERVICE PROVIDERS
- * REQUIRES APPROVAL OF BOARD

AGENCIES ISSUE FINAL RULES ON IDENTITY THEFT RED FLAGS AND NOTICES OF ADDRESS DISCREPANCY

The Federal Trade Commission and the federal financial institution regulatory agencies have sent to the Federal Register for publication final rules on identity theft "red flags" and address discrepancies. The final rules implement sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003.

According to a report of the President's Identity Theft Task Force, identity theft (a fraud attempted or committed using identifying information of another person without authority), results in billions of dollars in losses each year to individuals and businesses.

The final rules require each financial institution and creditor that holds any consumer account, or other account for which there is a reasonably foreseeable risk of identity theft, to develop and implement an Identity Theft

Prevention Program (Program) for combating identity theft in connection with new and existing accounts. The Program must include reasonable policies and procedures for detecting, preventing, and mitigating identity theft and enable a financial institution or creditor to:

1. Identify relevant patterns, practices, and specific forms of activity that are "red flags" signaling possible identity theft and incorporate those red flags into the Program;
2. Detect red flags that have been incorporated into the Program;
3. Respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and
4. Ensure the Program is updated periodically to reflect changes in risks from identity theft.

The agencies also issued guidelines to assist financial institutions and creditors in developing and implementing a Program, including a supplement that provides examples of red flags.

The final rules also require credit and debit card issuers to develop policies and procedures to assess the validity of a request for a change of address that is followed closely by a request for an additional or replacement card. In addition, the final rules require users of consumer reports to develop reasonable policies and procedures to apply when they receive a notice of address discrepancy from a consumer reporting agency.

The attached final rulemaking is issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Trade Commission, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The final rules are effective on January 1, 2008. **Covered financial institutions and creditors must comply with the rules by November 1, 2008.**

The final rule has been published and can be found on the Commission's Web site as a link. The Commission vote authorizing the publication of the final rule and Federal Register notice was 5-0. (FTC File No. R611019). The staff contacts are Naomi Lefkowitz or Pavneet Singh, Bureau of Consumer Protection, 202-326-2252; see press release dated July 18, 2006.

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