UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

IDENTITY THEFT

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Before the

COMMITTEE ON LABOR, COMMERCE AND FINANCIAL INSTITUTIONS
WASHINGTON STATE SENATE

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Senator Prentice and members of the Committee, I am Charles Harwood, Director of the Northwest Region of the Federal Trade Commission ("FTC" or "Commission").(1) I appreciate the opportunity to present testimony on the important issue of identity theft, and to describe the Commission's efforts to help victims, alert industry and equip law enforcement to deal with this harrowing crime.(2)

In my remarks today, I will discuss the growing phenomenon of identity theft, the measures the Commission has taken to meet the goals of the federal Identity Theft and Assumption Deterrence Act of 1998 ("the Identity Theft Act") and what we see as major challenges for the future in combating identity theft.

Identity theft often seems unavoidable, undetectable and unstoppable. Public concern over identity theft is understandably enormous. This is in part because it seems to be widespread and in part because the consequences can be devastating. Consumers feel particularly vulnerable knowing that no matter how careful they are, they may nonetheless become identity theft victims.

The Identity Theft Act directed the Federal Trade
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unlawful activity that constitutes a violation of Federal law, or that constitutes a felony under any applicable State or local law.(3)

Last, if investigation and resolution of the identity theft falls under the jurisdiction of another federal agency that has a

of his promotion review, a background check indicated that he had a criminal record. Although the consumer went to court and obtained a declaration that he did not have a criminal record, he lost his job because the company that performed the background check said that it could not clear his record.

Identity thieves can run up debts in the tens of thousands of dollars under their victims' names. Even where the individual consumer is not legally liable for these debts,(14) the consequences to the consumer are often considerable. A consumer's credit history is frequently scarred, and he or she typically must spend numerous hours over the course of months or even years contesting bills and correcting credit reporting errors. Creditors for the fraudulent accounts often continue to harass the consumer. In the interim, the consumer victim may be denied loans, mortgages and employment; a bad credit report may even prevent him or her from something as simple as opening up a new bank account at a time when other accounts. Moreover, even after the initial fraudulent bills are resolved, new fraudulent charges may continue to appear, requiring ongoing vigilance and effort by the victimized consumer.

B. Patterns and Practices: Specific Complaint Data(15)

The Identity Theft Data Clearinghouse provides law enforcement with the first opportunity to collect and consolidate identity theft complaints on a nationwide basis. The basic complaint data for 2000 shows that the most common forms of identity theft reported during the first fourteen months of operation were:

Credit Card Fraud - Nationally, approximately 50% of the consumer victims reported credit card fraud -- i.e., a credit card account opened in their name or a "takeover" of their existing credit card account, while in Washington the percentage was approximately 44%;

Communications Services - Nationally, approximately 25% reported that the identity thief opened up incurred by the identity thief. Many consumers report that they have to spend significant amounts of time resolving these problems.

Consumers also report problems with the institutions that provided the credit, goods, or services to the identity thief in the consumers' name. These institutions often attempt to collect the bad debt from the victim, or report the bad debt to a consumer reporting agency, even after the victim believes that he or she has shown that the debt is fraudulent. Consumers further complain that these institutions' inadequate or lax security procedures failed to prevent the identity theft in the first place; that customer service or fraud departments were not responsive; or that the companies refused to close or correct the unauthorized accounts after notification by the consumer.

IV. Next Steps

The Commission has made significant strides in assisting consumers and law enforcement to combat identity theft but recognizes that much remains to be done.

For instance, the Identity Theft Act authorizes the Commission to refer consumer identity theft complaints and information to the three major national consumer reporting agencies and other appropriate entities. The Commission has been working with the three major national consumer reporting agencies to develop a process to share key

agencies to develop a streamlined process that would decrease the amount of time spent by 2(ho(or)4-1(ns)11Fm)-3(t)15(o s)11(har)4(

initiatives. FTC staff also coordinates with staff from the Social Security Administration's Inspector General's Office on the handling of social security number misuse complaints, a leading source of identity theft problems.

14. www.consumer.gov is a federal "one-stop" website for consumer information. The FTC hosts the server and provides all technical maintenance for the site. It currently has links to information from more than 170 federal agencies.

15. The Truth in Lending Act, 15 U.S.C. §§ 1601 et seq. and the Electronic Fund Transfer Act, 15 U.S.C. §§ 1693 *et seq*. limit consumers' liability for fraudulent transactions in connection with credit and debit cards, respectively.

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