

THE 26 FTC EXAMPLE RED FLAGS: IDENTIFICATION OF METHODS OF DETECTION AND SPECIFIC RESPONSE

CATEGORY ONE: "Alerts, Notifications, or Warnings from a Consumer Reporting Agency"

RED FLAG 1	A fraud or active duty alert is included with a consumer report.
APPLIES TO: The opening of all covered accounts where a consumer is liable	
INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG	
<input checked="checked" type="checkbox"/> YES <input type="checkbox"/> NO	
<p style="text-align: center;"><u>Detection Method(s)</u> (Complete if "yes" box is checked.)</p> <p>1. Before opening the account, obtain a consumer report.</p> <p style="margin-left: 40px;">A. Check for a fraud or active duty alert.</p>	
<p style="text-align: center;"><u>Response(s)</u></p> <p>1. Follow the general response procedures in section 12 of the ITPP.</p> <p>2. Do not open the account unless the following verification procedures are completed:</p> <p style="margin-left: 40px;">A. Contact the consumer using the telephone number or other means of contact stated in the alert, if any, and obtain authorization to proceed with opening the account..</p> <p style="margin-left: 40px;">B. Take all other appropriate reasonable steps to verify the consumer's identity and to confirm the application to open the account was not the result of identity theft.</p> <p style="margin-left: 40px;">C. Obtain and verify governmental photo identification and follow the other requirements of the ITPP.</p> <p style="margin-left: 40px;">D. Prepare and sign a written acknowledgment detailing how each of the above steps was completed.</p>	

RED FLAG 2

A consumer reporting agency provides a notice of credit freeze in response to a request for a consumer report.

APPLIES TO: The opening of all covered accounts where a consumer report is obtained


INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG☒ **YES**☐ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

1. Before opening the account, obtain a consumer report.
 - A. Be alert for notice of a credit freeze from the credit reporting agency.

Response(s)

1. Follow the general response procedures in Section 12 of the ITPP.
2. Do not open the account until and unless the consumer causes the freeze to be lifted and a credit report is obtained. verify the consumer's identity and confirm the application to open the account was not the result of identity theft.

RED FLAG 3**A consumer reporting agency provides a Notice of Address Discrepancy.****APPLIES TO:** The opening of all covered accounts where a consumer report is obtained and a notice of Ad **INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☒ **YES**☐ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

1. Before opening the account, obtain a consumer report.
 - A. Be alert for notice of a credit reporting agency of an address discrepancy.

Response(s)

1. Follow the general response procedures in Section 12 of the ITPP.
2. Do not open the account unless and until the Notice of Address Discrepancy Policies and procedures in the ITPP are completed and the identity of the consumer is verified.

RED FLAG 4

A consumer report indicates a pattern of activity that is inconsistent with the history and usual pattern of activity of an applicant or customer, such as: (a) a recent and significant increase in the volume of inquiries; (b) an unusual number of recently established credit relationships; (c) a material change in the use of credit, especially with respect to recently established credit relationships; (d) an account that was closed for cause or identified for abuse of account privileges by a financial institution or creditor.

APPLIES TO: The opening of all covered accounts where a consumer report is obtained

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG☒ **YES**☐ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

1. Before opening the account, obtain a consumer report.
 - A. Review the report for unusual or inconsistent activity.

Response(s)

1. Follow the general response procedures in Section 12 of the ITPP.
2. Ask the customer to explain the unusual activity.

CATEGORY TWO: "Suspicious Documents"

RED FLAG 5

Documents provided for identification appear to have been altered or forged.

APPLIES TO: The opening of all covered accounts

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☒ **YES**

☐ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

1. Before opening the account, obtain, inspect, and photocopy the consumer's (or business customer's representative's) current diverse license or other government issued photo identification.
 - A. If involving a legal entity, obtain, inspect, and photocopy documents demonstrating the existence of the entity, such as certified articles of incorporation , a government-issued business license, a partnership agreement, or trust instrument.
2. Review the identification document for signs of alteration or forgery, using available information on forgery detection, if any, supplied by the agency that issues the identification document.

Response(s)

1. Follow the general response procedures in section 12 of the ITPP.
2. Do not open the account unless a reasonable and verified explanation that is not indicative of identity theft or forgery is provided that explains the appearance of alteration or forgery and the customer provides additional documentation to allow you to form a reasonable belief that the customer is who he or she claims to be. This may include requiring at least one additional non-forged/non-altered form of government-issued photo identification and at least one other non-forged/non altered form of identification.

RED FLAG 6

The photograph or physical description on the identification is not consistent with the appearance of the applicant or customer presenting the identification.

APPLIES TO: The opening of all covered accounts

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☒ **YES**

☐ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

1. Before opening the account, obtain, inspect, and photocopy the consumer's (or business customer's representative's) current diverse license or other government issued photo identification.

A. Review the photo and physical appearance information on the identification and compare it with the consumer's in -person appearance.

Response(s)

1. Follow the general response procedures in section 12 of the ITPP.

2. Do not open the account unless a reasonable explanation of the discrepancy that is not indicative of identity theft is identified and the customer provides at least one additional non-forged/non-altered form of government-issued photo identification and at least one other non-forged/non-altered form of identification..

RED FLAG 7

Other information on the identification is not consistent with information provided by the person opening a new covered account or customer presenting the identification.

APPLIES TO: The opening of all covered accounts

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☒ **YES**

☐ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

1. Before opening the account, obtain, inspect, and photocopy the consumer's (or business customer's representative's) current diverse license or other government issued photo identification.
2. Before opening the account, obtain customer's signed credit application.
 - A. Compare the address and other information on the identification with information provided by the consumer in the credit application.

Response(s)

1. Follow the general response procedures in section 12 of the ITPP.
2. Do not open the account unless a reasonable explanation of the discrepancy that is not indicative of identity theft is identified.

RED FLAG 8

Other information on the identification is not consistent with readily accessible information that is on file with the financial institution or creditor, such as a signature card or a recent check.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 9

An application appears to have been altered or forged, or gives the appearance of having been destroyed and reassembled.

APPLIES TO: The opening of all covered accounts

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☒ **YES**

☐ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

1. Before opening the account, obtain customer's signed credit application.
 - A. Review the credit application for signs of alteration or forgery.

Response(s)

1. Follow the general response procedures in section 12 of the ITTPP.
2. Ask customer to explain the apparent alteration.

CATEGORY THREE: "Suspicious Personal Identifying Information"

[illegible]

RED FLAG 11

Personal identifying information provided by the customer is not consistent with other personal identifying information provided by the customer. For example, there is a lack of correlation between the SSN range and date of birth.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 12

Personal identifying information provided is associated with known fraudulent activity as indicated by internal or third-party sources used by the financial institution or creditor. For example, (a) the address on an application is the same as the address provided on a fraudulent application; or (b) the phone number on an application is the same as the number provided on a fraudulent application.

APPLIES TO:**INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☐ **YES**☒ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 13

Personal identifying information provided is of a type commonly associated with fraudulent activity as indicated by internal or third-party sources used by the financial institution or creditor. For example, (a) the address on an application is fictitious, a mail drop, or a prison; or (b) the phone number is invalid, or is associated with a pager or answering service.

APPLIES TO:**INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☐ **YES**☒ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 14

The SSN provided is the same as that submitted by other persons opening an account or other customers.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 15

The address or telephone number provided is the same as or similar to the account number or telephone number submitted by an unusually large number of other persons opening accounts or other customers.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 16

The person opening the covered account or the customer fails to provide all required personal identifying information on an application or in response to notification that the application is incomplete.

APPLIES TO: The opening of all covered accounts

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG☒ **YES**☐ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

1. Before opening the account, obtain customer's signed credit application.
 - A. review the information on the credit application for completeness.

Response(s)

1. Follow the general response procedures in section 12 of the ITPP.
2. Require the customer to provide the missing information. If he or she does not or cannot, do not open the account unless a reasonable explanation that is not indicative of identity theft is identified explaining why the requested information is missing or incomplete.

RED FLAG 17

Personal identifying information provided is not consistent with personal identifying information that is on file with the financial institution or creditor.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ YES

☒ NO

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 18

For financial institutions and creditors that use challenge questions, the person opening the covered account or the customer cannot provide authenticating information beyond that which generally would be available from a wallet or consumer report.

APPLIES TO:**INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☐ YES☒ NO**Detection Method(s)**

(Complete if "yes" box is checked.)

Response(s)

CATEGORY FOUR: “Unusual Use of or Suspicious Activity Related to the Covered Account”

RED FLAG 19	Shortly following the notice of a change of address for a covered account, the institution or creditor receives a request for a new, additional, or replacement card or a cell phone, or for the addition of authorized users on the account.
	<p>APPLIES TO:</p> <p>INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG</p> <p><input type="checkbox"/> YES <input checked="" type="checkbox"/> NO</p> <p><u>Detection Method(s)</u> (Complete if "yes" box is checked.)</p> <p><u>Response(s)</u></p>

RED FLAG 20

A new revolving credit account is used in a manner commonly associated with known patterns of fraud. For example, (a) the majority of available credit is used for cash advances or merchandise that is easily convertible to cash (e.g., electronics equipment or jewelry); or (b) the customer fails to make the first payment or makes an initial payment but no subsequent payments.

APPLIES TO:**INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☐ **YES**☒ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 21

A covered account is used in a manner that is not consistent with established patterns of activity on the account. There is, for example, (a) nonpayment when there is no history of late or missed payments; (b) a material increase in the use of available credit; (c) a material change in purchasing or spending patterns; (d) a material change in electronic fund transfer patterns in connection with a deposit account; or (e) a material change in telephone call patterns in connection with a cellular phone account.

APPLIES TO:**INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☐ **YES**☒ **NO****Detection Method(s)**

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 22

A covered account that has been inactive for a reasonably lengthy period of time is used (taking into consideration the type of account, the expected pattern of usage and other relevant factors).

APPLIES TO:**INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG**☐ YES☒ NO**Detection Method(s)**

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 23

Mail sent to the customer is returned repeatedly as undeliverable although transactions continue to be conducted in connection with the customer's covered account.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 24

The financial institution or creditor is notified that the customer is not receiving paper account statements.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 25

The financial institution or creditor is notified of unauthorized charges or transactions in connection with a customer's covered account.

APPLIES TO:

INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG

☐ **YES**

☒ **NO**

Detection Method(s)

(Complete if "yes" box is checked.)

Response(s)

RED FLAG 26	The financial institution or creditor is notified by a customer, a victim of identity theft, a law enforcement authority, or any other person that it has opened a fraudulent account for a person engaged in identity theft.
	<p>APPLIES TO:</p> <p>INCLUDED IN DEALERSHIP'S PROGRAM AS A RELEVANT RED FLAG</p> <p><input type="checkbox"/> YES <input checked="" type="checkbox"/> NO</p> <p><u>Detection Method(s)</u> (Complete if "yes" box is checked.)</p> <p><u>Response(s)</u></p>