

Testimony of

Ms. Anne Wallace

On behalf of

The Identity Theft Assistance Corporation

To The

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Chairman Clay, Ranking Member McHenry, and members of the subcommittee, I am Anne Wallace, president of the Identity Theft Assistance Corporation. Thank you for inviting me today and for the opportunity to tell you about ITAC, the Identity Theft Assistance Center, an initiative of the financial services industry to fight identity theft and help consumers recover from this serious crime.

Six years ago, executives of the nation's largest financial services companies realized that however hard they worked individually to help their customers and stop identity fraud within their own four walls, they could achieve more if they worked together. They knew that, in many cases, criminals used the victim's personal information many times, compounding the victim's problems and resulting in fraud losses at other companies. By acting together and following a common process, they believed they could help their customers stop the identity theft spiral.

To stop the damage and begin the recovery, victims had to find all the places where the crook had struck, prove who they were, and tell their story again and again, a time-consuming and frustrating process. Meanwhile, the damage spread.

Fragmentation also impeded law enforcement. Identity crime often involves small dollar losses for many victims scattered across multiple jurisdictions which strained the resources of investigators and prosecutors.

To break the cycle, consumers needed more guidance on preventing and recovering from identity theft.

In 2003, under the leadership of The Financial Services Roundtable and BITS, 50 financial services companies created ITAC, a nonprofit committed to helping

victims recover from this terrible crime, partnering with law enforcement to catch and convict identity criminals, and educating consumers on prevention and recovery.

Since the victim assistance center opened in August 2004, ITAC has helped more than 55,000 consumers recover from identity theft. The service is free to the consumer and paid for by ITAC member companies.

Here's how the process works. First, an individual ITAC member company works with the consumer to resolve any issues at that company. Then, if the problem involves identity theft, the company explains how ITAC can help and transfers the consumer's call directly to an ITAC agent. After getting the consumer's authorization, the ITAC agent walks the consumer through his or her credit report to identify suspicious activity at other companies and notifies all the companies where suspicious activity is found. Companies that are not ITAC members receive a letter, while ITAC members receive immediate online notice. The speed at which ITAC can deliver a warning to the fraud departments of dozens of major financial institutions shows the value of collaboration in stopping further harm to consumers and in reducing fraud losses.

On a personal level, leading ITAC is a very satisfying job. At the beginning of the ITAC interview, consumers are angry and frightened but the calm, professional help that the ITAC agents deliver makes a world of difference.

Let me share one story with you. Paul was a 71-year-old tax preparer who first suspected someone was using his identity to get credit when he received a MasterCard bill for more than \$4,000 on an account he never applied for or used.

He contacted the card issuer, HSBC, which confirmed that Paul was a victim of identity theft. HSBC referred Paul to ITAC. During the interview, the ITAC agent found

one other bogus account and five cases where someone had tried to open accounts in his name.

Paul said he knew who was behind the fraud from the start. He confronted his tenant, a woman and her two daughters, who rented an apartment in his house. Paul and his wife had grown close to the family, who frequently used Paul's computer. "We had compassion for this woman, we treated her like a daughter," Paul said.

"Unfortunately, the whole experience has hardened us, we've lost trust in other people," Paul said. As for ITAC: "You can't imagine what a relief it is in the middle of all this having somebody on your side."

I know the Subcommittee is interested in the investigation and prosecution of identity crime – which is a key part of ITAC's mission – so let me describe how ITAC works with law enforcement.

Following the interview, with the consumer's consent, ITAC sends information about the identity theft event to the U. S. Postal Inspection Service's Financial Crime Database, which is used by postal inspectors all over the country. We also feed data into the Federal Trade Commission's Consumer Sentinel Database. Approximately 1,400 local, state and federal agencies, including the FBI and the Secret Service, have 24-hour-a-day online access to ITAC data via Consumer Sentinel.

These data sharing agreements represent a major breakthrough. For years, financial institutions have shared information about their own identity theft cases with law enforcement. This one-on-one information sharing continues to this day and is very valuable. But, ITAC's data sharing is unique and especially valuable because ITAC reports are verified cases of identity theft. The data comes from many different companies, it is national in scope and is delivered in a consistent format.

Let me give you an example of the success of ITAC's information sharing. ITAC data played a key role in the arrest of a Los Angeles Social Security Administration employee and her accomplice who mined the agency's database to run up \$2.5 million in fraudulent account charges. Postal Service investigators, part of the Los Angeles Identity Crimes Economic Task Force, were able to match the database queries against information about fraudulent accounts contained in the Financial Crimes Database to detect the pattern of criminal activity.

In addition to sharing information, ITAC works with regional identity theft task forces like the one in Richmond, VA. Thanks to the task forces, we're seeing bigger busts of identity theft syndicates and stiffer sentences for identity theft criminals. We also support initiatives such as the National Computer Forensics Institute in Hoover, Alabama, which provides crucial training for law enforcement, prosecutors and judges; and www.idsafety.org, a joint project of the International Association of Chiefs of Police and Bank of America that gives local law enforcement resources to investigate identity crimes.

The third element of ITAC's mission is education. The Federal Trade Commission provides excellent resources both for consumers and for business and we were proud to work with the FTC when they launched the *Deter, Detect, Defend* national consumer education campaign.

ITAC's own website, www.identitytheftassistance.org, offers helpful information about preventing and resolving id theft and links to resources at ITAC member companies.

During the six years that I have led ITAC, major progress has been made in preventing identity theft and helping victims recover. Congress ensured that

consumers had the right to place a fraud alert on their credit report, to get a free copy of their credit report each year, and to obtain records relating to fraudulent transactions. Heightened awareness of the need to protect personal information has led government and the private sector to improve information security. Law enforcement at all levels is much aware of the seriousness of identity crime and its impact on consumers, the economy and national security.

Despite the progress, there is much more to be done. Most industries and government agencies lack processes for helping victims restore their identity. Consumers continue to be frustrated when they try to file a police report. Gaps in resources and training still limit the investigation and prosecution of many identity crimes. Consumer education efforts are challenged by rapid changes in criminal techniques and technology. Once a law is adopted, its effectiveness in helping victims is seldom evaluated. We would like to see more follow up research into which laws and regulations work and which don't work in stopping identity crime and speeding victims' recovery. The lack of comprehensive, empirical data about identity crime frustrates the ability of policy makers and consumers to make reasoned decisions.

In closing, we believe that the ITAC model – a collaborative initiative founded on best practices and committed to helping consumers – can work in other industry sectors and in the federal government.

I want to recognize and thank all of the other witnesses, most of whom we work with, for all the good work they do on behalf of consumers.

Mr. Chairman, I would be happy to answer any questions you may have.