



"Got Questions? He Has Answers!"

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Q: I keep hearing stuff about the Red Flag Rules, but can't figure out if car dealers are covered. What are the Rules and does it apply to me?

A: The Federal Trade Commission and the federal financial institution regulatory agencies have published Final Rules on identity theft "red flags" and address discrepancies that implement sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003. The Final Rules require each financial institution (yes, that includes you as a motor vehicle dealer) 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 for combating identity theft in connection with new and existing accounts.

Q: Do the Red Flag Rules include getting a report on an incorrect address? Also, when do we have to comply with the Rules?

A: 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. Motor vehicle dealers must comply with the Rules by November 1, 2008.

Q: Dear Car Counselor, you probably have answered this before, but one more time: what does my Red Flag Identity Theft Prevention Program have to include?

A: 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.