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The Red Flags Are Coming

by By Gil Van Over

Are you prepared to check a customer's cell phone number against your database to make sure it doesn't belong to someone else?

If the proposed Red Flag Rule is implemented as written, this is one of 31 potential identity theft red flags you could be required to check to comply with the regulation.

This proposed rule is well intentioned: to help stem the tide of identity theft in the United States. Aimed at financial institutions who may already be conducting many of the checks to comply with the USA Patriot Act, it may seem as a yawner to those companies.

However, auto retailers are different. Although defined as a financial institution by the Feds for purposes of many of the rules that regulate the industry, car dealers have not implemented the software required to comply with the proposed regulations. And these requirements can be onerous.

Some of the proposed red flags that would require further clarification before extending credit include:

The address, social security number, home phone or cell phone is the same as that submitted by other applicants.

Personal information provided is not consistent with information that is on file.

Personal information is associated with known fraudulent activity or is of a type commonly associated with fraudulent activity.

The photo or physical identification is inconsistent with the appearance of the applicant or customer.

A consumer report indicates a pattern of activity that is inconsistent with the history and usual pattern of activity of an applicant or customer.

Now is the time to call your dealer associations and get them to prepare comments to this proposed regulation.

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