

NEW YORK STATE CONSUMER PROTECTION BOARD



**EXAMINING THE CITY'S EFFORTS TO
COMBAT IDENTITY THEFT**

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Committee on Public Safety**

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New York State Consumer Protection Board

Good morning Chairperson Vallone Jr. and members of the New York City Council Committee on Public Safety.

I am Jorge I. Montalvo, Director of Strategic Initiatives for the New York State Consumer Protection Board, also known as the CPB. I am pleased to be presenting testimony today.

I. Consumer Protection Board Mission

The Consumer Protection Board (CPB) was established in 1970 pursuant to Chapter 20 of the Laws of 1970. It is the State's top consumer watchdog and "think tank". Created through the enactment of Executive Law, Section 550, the CPB is an outcome-focused, cost-conscious Agency delivering strategically-planned, high quality programs and services to protect, educate and represent consumers.

The Agency's core mission is to protect New Yorkers by publicizing unscrupulous and questionable business practices and product recalls; conducting investigations and hearings; enforcing the State's "Do Not Call" Law; researching issues; developing legislation; creating consumer education programs and materials; responding to individual marketplace complaints by securing voluntary agreements; helping consumers prevent and mitigate the effects of identity theft; and, representing the interests of consumers before the Public Service Commission (PSC) and other State and federal agencies.

The CPB's core services and functions are: (1) direct consumer assistance; (2) program development and outreach; (3) policy, law and investigations; and, (4) utility and new technologies intervention.

I want to thank you for the opportunity to speak today about the problem of identity theft.

II. Identity Theft

Identity theft is the fastest growing crime in our nation today. It is the practice of stealing someone's personal information with the intent to fraudulently obtain goods, property, credit, utility services, medical services, employment or government documents and benefits. It can also occur when stolen personally identifying information is provided to law enforcement by an imposter during a criminal investigation, traffic stop or upon arrest.

The Federal Trade Commission (FTC) estimates that as many as 9 million Americans have their identities stolen each year. In fact, you or someone you know may have experienced some form of identity theft.¹

Identity theft has been the number one consumer complaint made to the Federal Trade Commission (FTC) for the past several years. Between January and December 2009, more than 1.3 million consumer fraud and identity theft complaint were filed with the FTC,² which is about the number of people that live in my home borough of the Bronx.³ New York State ranks 8th per capita in identity theft complaints, with approximately 96.7 complaints for every 100,000 residents.⁴ In 2009, consumers reported losses from fraud and identity theft of more than \$1.7 billion. The median monetary loss was more than \$339 per person.⁵

Identity theft is serious. While some identity theft victims can resolve their problems quickly, others spend hundreds of dollars and many days repairing damage to their good name and credit record. Some consumers victimized by identity theft may lose out on job opportunities, or be denied loans for

¹ Federal Trade Commission: [About Identity Theft](#). Retrieved Friday, November 26, 2010

² Consumer Fraud and Identity Theft Complaint Data for 2009, Federal Trade Commission 2010

³ [U.S. Census Bureau](#), Population Division, [Table 5. Annual Estimates of the Resident Population for Minor Civil Divisions in New York, Listed Alphabetically Within County: April 1, 2000 to July 1, 2009 \(SUB-EST2009-05-36\)](#) and [Table 1. Annual Estimates of the Resident Population for Incorporated Places Over 100,000, Ranked by July 1, 2009 Population: April 1, 2000 to July 1, 2009 \(SUB-EST2009-01\)](#), Release Date: June 2010, retrieved on July 31, 2010

⁴ Consumer Fraud and Identity Theft Complaint Data for 2009, Federal Trade Commission 2010

⁵ Consumer Fraud and Identity Theft Complaint Data for 2009, Federal Trade Commission 2010

education, housing or cars because of negative information on their credit reports. In rare cases, they may even be arrested for crimes they did not commit.

This crime takes many forms. Identity theft can ruin a victim's credit score and expose the victim to potential legal liability. An identity theft victim faces the risk of being billed for services he or she did not receive. Until disputed debts are resolved, and the victim's credit report is cleared of erroneous entries, the victim can have difficulty finding employment, securing insurance coverage, obtaining credit and securing housing. The theft of a consumer's health insurance, Medicare or Social Security number to obtain potentially expensive medical treatment or drugs under the victim's name and, in some instances, bogus insurance payouts is another form of identity theft. A victim can even be charged with crimes they did not commit. Other risks include reputation damage, compromised medical records, and the investment of time and money in clearing one's record.

Major Types of Identity Theft

The most common forms of identity theft involve the use of stolen personally identifying information to:

- Make unauthorized credit card charges and bank withdrawals,
- Apply for and receive utility and phone services
- Open new lines of credit, and
- Receive government benefits.

Depending on the sophistication of the thief, a consumer may not realize that identity theft has occurred until he or she receives collection notices for unpaid bills, or checks their credit report and sees unauthorized debts and accounts listed.

Prevention

While it is true that ANYBODY regardless of race, age or socio-economic background can be a victim of identity theft, there are steps a consumer can take to prevent falling victim., including:

- Check their financial statements promptly. Time is critical!
- Get their credit report FREE every four months (consumers can get a free report from each of the three major credit bureaus once a year, for a total of three free reports annually). Victims of identity theft are entitled to at least one additional free report
- Shred documents containing personal information, especially their Social Security number, by using a cross-cutter shredder
- Sign credit card, not by name, but by asking for proof of identity
- Opt out from receiving unsolicited offers of credit by calling 888-5-OPTOUT
- Travel light -- the less personal information they carry around, the less identification and data will be lost
- Be wary of “shoulder surfing” and other attempts to obtain their personal information while shopping and/or using an ATM, Protect their personal data, such as their Social Security number -- be stingy when giving it out, and
- Consider placing a security freeze on their credit report to gain control over credit granting

Responding to Identity theft

At the CPB we also advise consumers on how to respond to identity theft. Consumers should:

- Check and close compromised accounts,
- File a police report and a Federal Trade Commission affidavit with credit bureaus. Pursuant to a State law advanced by the CPB, a copy of the police report is available to the victim for free,
- Place a security freeze on their credit reports,

- Consider initiating a fraud alert on their credit reports, and
- Check their free credit report regularly for errors.

This and more information is available at the CPB's website at www.nysconsumer.gov.

III. Highlights of Agency Programs Relating to Identity Theft

Legislation

The CPB has been recognized nationally for its work in advancing policies and education to better protect consumers from identity theft victimization. In the last few years, the CPB has helped achieve enactment of State legislation that:

- Safeguards Social Security numbers by restricting their use by employers, business and government for personal identification
- Strengthen aspects of the Security Freeze law to enable consumers to place or lift a Security Freeze via telephone or secure electronic means, reducing the amount of time it takes to place a freeze to one day, and to lift a freeze to 15 minutes.

The legislation also created the **CPB's Identity Theft and Mitigation Program**, which contains a central repository of new and updated identity theft-related information to assist consumers. In addition, the legislation authorized the CPB to act as a liaison between the victim and any State or other governmental or non-governmental entities to help victims recover from the damages of identity theft. CPB consumer advisors can intervene and troubleshoot in varied contexts, including with creditors, financial institutions, credit-reporting agencies, utilities and employers.

Educational Efforts

Legislative advocacy and action is augmented by educational efforts for consumers and businesses. The CPB is statutorily authorized to encourage businesses to maintain high standards of

honesty and fair business practices. Towards that goal, the Agency has developed online educational business resources to advance data security and identity theft prevention. Further, staff provides guidance to breaching entities concerning appropriate and clear disclosure to data breach victims. This is important as studies have shown that the risk of identity theft increases with a data breach.

In the interest of assisting consumers in making informed and smart decisions about identity theft prevention and mitigation, the CPB advances its identity theft resources through various portals including colleges and universities, community-based organizations, unions, health institutions, senior advocacy groups and others. We collaborated with several public and private organizations this year, including the New York State Office for Temporary and Disability Assistance (OTDA), the Department of Labor (DOL), the Division of Probation and Correctional Alternatives (DPCA), the State Office for the Aging (SOFA), the Ecuadorian International Center, AARP, the Queens District Attorney's office, the Hispanic Federation, the Boys and Girls Clubs of America and others to distribute and use our multi-lingual identity theft information. The Agency's educational resources and tools have been supplemented by various public service announcements and audio podcasts on the subject to raise awareness.

There is no greater tragedy than the loss of a loved one. Unfortunately, even dead people are not immune from identity theft. Identity thieves sometimes assume the identity of a deceased person for their own financial gain. Scam artists search the obituaries, steal death certificates, or even get the information from websites that offer the Social Security Index file. In some cases, the identity thief may be a family member who is looking to take advantage of the situation.

To help ensure that a deceased loved one is not the victim of identity theft, the CPB created and issued a guide that family members and executors can follow to protect the personal and financial information of deceased individuals. This information was distributed through a variety of outlets,

including public outreach events, the CPB website, the Department of Health, local registrars of vital records, and the newsletter of the New York State Funeral Directors Association.

The CPB also stepped up its efforts to help consumers combat medical identity theft. As noted, this crime can result in victims receiving improper treatment because their medical records contain inaccurate information. Victims of medical identity theft may find that their health insurance is exhausted. The financial risks of medical identity theft are similar to other financially-based forms of identity theft.

To address this growing problem, the CPB developed a series of innovative, step-by-step recommendations to help consumers reduce the threat of medical identity theft, determine when their medical identity has been stolen, and help them fight back if they become a victim.

To raise identity theft awareness and promote prevention, the CPB held 11 free “*Shred the Word!*” events this year in collaboration with several certified shredding companies and community-based organizations. Four of these events were held in the City of New York (two in Brooklyn, two in Queens). These events complement the Shredfest events hosted by our municipal partners, the New York City Department of Consumer Affairs. Our successful events afford consumers the opportunity to shred sensitive personal information for free and receive important information and tools. Since the program began in 2008, consumers across the State have shred more than 30,000 pounds of personal records. During this fiscal year, more than 17,000 pounds were shredded.

To aid individuals who have fallen victim to identity theft, the CPB developed an Identity Theft Quick Response Checklist. Through a partnership with the New York State Division of Criminal Justice Services (DCJS), the checklist was distributed electronically to the New York State Association of Chiefs of Police, the New York State Sheriffs' Association, all New York State District Attorney Offices, the New York State Crime Victims Board, and members of the New York State e-Justice program.

The Agency also hosts an important initiative to prevent and respond to identity theft in the context of domestic violence. While identity theft affects millions of Americans each year, it can be even more overwhelming to victims of domestic violence who need to take extra precautions to protect themselves from abusers. Abusers sometimes obtain and use their victim's personal information as another means of control.

In our view, each person who demonstrates the bravery and fortitude it takes to overcome domestic violence is a hero. Confronting and slaying the dragon that is domestic violence requires support from every resource available, including government. For that reason and to empower survivors, the CPB partnered with the New York State Office for the Prevention of Domestic Violence to create resources related to identity theft. Train-the-trainer seminars about this topic have been conducted and the educational resources shared with domestic violence groups and crime victim advocates and service providers.

Supplementing the educational resources is legislation advanced by the CPB to assist victims. New Yorkers who are victims of domestic violence may place a security freeze on their credit reports free of charge, in accordance with a State law advocated for by the CPB. Placing a security freeze on one's credit report prevents most creditors and other entities from gaining access to credit reports, thus preventing new unauthorized accounts from being opened. A security freeze can be initiated by contacting the three major credit reporting agencies: Equifax, Experian or Trans Union. To be eligible for a free security freeze, victims of domestic violence must provide an order of protection, a domestic incident report, a police report, or a signed affidavit from a service provider.

The CPB is also in the midst of conducting a Statewide study of New Yorkers to better assess consumer understanding of identity theft prevention and inform on policy. We hope to share results before the end of the year.

IV. Conclusion

As you can draw from my testimony, addressing issues relating to identity theft has been and continues to be a priority for the Agency.

With the culmination of the CPB's 40th anniversary, the Agency looks forward to serving the consumers of this great State by continuing to focus on its core mission in an efficient and cost effective manner within given resources. The CPB notes that its past is a springboard for its future. Today, the staff of the Agency continues to work very hard, despite the current fiscal environment, to effectively represent and advocate for consumers in different arenas, educate consumers with diverse resources, inform the public by channeling technology and media, advance policy changes on the State and federal levels and overcome barriers to energy pricing, policy and conservation reform. We seek to assure the provision of quality, cost effective, and timely services. The CPB remains available to work with you, the entire City Council, Mayor Bloomberg, the New York City Department of Consumer Affairs, and the New York City's Office of the Criminal Justice to enhance and support these core efforts for the benefit of all New Yorkers.

I thank you for the opportunity to address the Committees today and welcome any questions you might have.