

Red Flags Rule Compliance

Identity thieves are targeting your business and your customers. The FTC's mandatory Red Flags Rule aims to stop them. Do you have a plan?

What is the Red Flags Rule?

The federal banking agencies, the National Credit Union Administration (NCUA) and the Federal Trade Commission (FTC) recently have issued a new requirement — called the “Red Flags Rule” — for “creditors” and “financial institutions” to assess whether they offer or maintain “covered accounts” and, if they do, to develop and implement an “Identity Theft Prevention Program” to detect, prevent and mitigate identity theft with respect to those accounts.

What are the Red Flags?

The Red Flags Rule provides several examples of Red Flags in four separate categories:

- (1) Alerts and notifications received from credit reporting agencies and third-party service providers
- (2) The presentation of suspicious documents or suspicious identifying information
- (3) Unusual or suspicious account usage patterns and
- (4) Notices from a customer, identity theft victim or law enforcement.

The Complete Red Flags Compliance Solution

Avantus gives financial institutions a comprehensive online solution for detecting the deceptive practices and actions commonly indicating identity theft.

The Avantus Red Flags Report searches thousands of data sources with billions of records, from credit and retail cards to mortgages and auto loans, you have the power to reduce fraud and lower associated operational costs. Our unique capabilities, allow you to instantly search consumer, industry and reference repositories. With each analytical search you can draw data from:

- 450,000 known fraud records from shared data
- 200 million cross-industry application records
- 215 million consumer credit records
- Demographic data on 215 million consumers
- 150 million auto registration records
- 83 million property ownership records

The Avantus Red Flags Report does much more than just identify identity theft. It also detects synthetic identities, data application manipulation, account takeover, first payment default and fraud rings.

Avantus is dedicated to keeping you one step ahead of fraud. Contact us to get compliant with the Red Flags Rule and protect yourself and your customers from identity theft today.

Frequently Asked Questions on the Red Flags Ruling

What is the Red Flags Ruling?

The federal banking agencies, the National Credit Union Administration (NCUA) and the Federal Trade Commission (FTC) recently have issued a new requirement — called the “Red Flags Rule” — for “creditors” and “financial institutions” to assess whether they offer or maintain “covered accounts” and if they do, to develop and implement an “Identity Theft Prevention Program” (Program) to detect, prevent and mitigate identity theft with respect to those accounts.

What is a “covered account?”

A “covered account” is a consumer credit account or consumer deposit account involving multiple payments or transactions. Commercial credit and deposit accounts also can be “covered accounts” where there is a “reasonably foreseeable risk” from identity theft to customers or to safety and soundness.

Am I considered a “creditor?”

The term “creditor” has the same meaning as under the Equal Credit Opportunity Act (ECOA) and is defined as a person who regularly participates in credit decisions, including, for example, a mortgage broker, a person who arranges credit or a servicer of loans who participates in “workout” decisions. The term “credit” is defined, as in the ECOA, as the right granted by a creditor to defer payment for goods or services. It is important to note that commercial, as well as consumer, credit accounts may be covered by the Rule.

I service residential mortgage loans. Do I offer or maintain covered accounts?

Residential mortgage loans are covered accounts, and as a servicer you may be considered to be “maintaining” such accounts. If you are considered to be a creditor, such as by regularly participating in credit decisions, then you are subject to the Rule. If you do not regularly participate in credit decisions, you are not subject to the Rule; however, you may have contractual duties imposed upon you by the lenders for which you provide services that are related to their Programs.

What is required in an Identity Theft Prevention Program?

According to the Rule, a Program must be written, approved and implemented by the board of directors or senior management, and must include staff training and oversight of service providers. The board of directors or senior management should assign specific responsibility for implementation of the Program, should review reports by staff and should approve material changes to the Program. Staff should report to the board of directors or senior management at least annually on (1) the effectiveness of the Program’s policies, (2) service provider arrangements, (3) significant security incidents and (4) any recommendations for material changes.

I’m an auto dealer. Does the Rule apply to me?

If the business extends auto credit to consumers or arranges auto credit for consumers, the Rule may apply.

What products does Avantus offer to help me comply with the Rule?

Avantus offers the Red Flags Report – a comprehensive solution that can be implemented as part of your Program or as a standalone Program. The Avantus Red Flags Report searches thousands of data sources with billions of records, from credit and retail cards to mortgages and auto loans, giving you the power to reduce fraud and lower associated operational costs.

Is the Red Flags Report standalone or must it be run with a customer’s credit report?

Currently, the Red Flags Report is run as an add-on to the credit report.