

"Red Flags" and "Address Discrepancy" Rules Quick Reference Steps to Compliance

Regulatory Objective:

To prompt businesses to take additional steps to authenticate a person's identity when certain warning signs or "red flags" of potential ID theft are present.

There are two separate provisions of the rule:

1. The broader **Red Flag Rule** which applies to financial institutions and creditors (no specific reference to apartment owners); and
2. The **Address Discrepancy Rule** which applies to a broad range of "users of credit reports," and specifically includes apartment providers in this category.

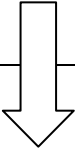
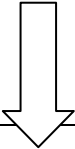
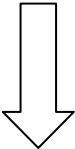

NOTE: While apartment owner obligations under the Red Flag provision of the rule are uncertain, their obligations under the Address Discrepancy provisions are clear. Since an Address Discrepancy is one of the Red Flags identified by the FTC, apartment owners are advised to develop and implement a comprehensive program to meet both rule requirements. Policies should be tailored to each firm's specific business needs and should involve legal counsel.

Key Elements of a Program:

1. **IDENTIFY**
Identify red flags or ID theft warning signs relevant to apartment business operations. (See Appendix A of FR for list of 26 examples of red flags.)
2. **DETECT**
Monitor business operations to assess or detect the occurrence of one or more of your company-identified red flags.
3. **RESPOND**
Implement the appropriate response based on red flag(s) detected.
4. **REPORT**
If red flag is an address discrepancy and you meet criteria, report accurate information to CRA.
5. **UPDATE**
Review effectiveness of your program and update annually.

Additional information on common Red Flags for Identity Theft and action items that should be included in your compliance/prevention program is available at www.nmhc.org/goto/4909.

EXAMPLE OF A RED FLAG PROGRAM

1. IDENTIFY (Red Flags/Warning Signs of Identity Theft)	2. DETECT (Specific Apartment-Related Red Flags that Require a Response)	3. RESPOND (Suggested Actions)	4. REPORT	5. UPDATE
Alerts, notices or warnings from Consumer Reporting Agency	Consumer report of a rental application includes a fraud alert or credit freeze (indicates consumer could become victim if identity theft)	Contact applicant at telephone # provided		Review and update your program annually 
	Consumer reporting agency provides notice of address discrepancy	Obtain address verification/ additional documentation such as utility bill address	If applicable*, report accurate address to CRA	
Suspicious documents detected in rental application	Documents have an altered or forged appearance, photo discrepancies or additional inconsistencies in information provided	Verify information, request additional documentation		
Suspicious personal identifying information	SSN inconsistencies, lack of correlation between DOB and SSN, address or phone number is fictitious or invalid, address is not a home address or physical location	Verify information from other sources, request additional documentation		
	Application is incomplete and remains so after additional requests	Verify all application information, document all communications and information, deny application		
Suspicious actions by employees	Lost keys to confidential file rooms, unauthorized entry of a unit, missing personal items	Investigate, analyze evidence, document all information, and amend policies, make staffing changes		

**If the "user" regularly furnishes information to the CRA and relationship is new.*