"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

<table>
<thead>
<tr>
<th>1. IDENTIFY (Red Flags/Warning Signs of Identity Theft)</th>
<th>2. DETECT (Specific Apartment-Related Red Flags that Require a Response)</th>
<th>3. RESPOND (Suggested Actions)</th>
<th>4. REPORT</th>
<th>5. UPDATE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alerts, notices or warnings from Consumer Reporting Agency</strong></td>
<td>Consumer report of a rental application includes a fraud alert or credit freeze (indicates consumer could become victim if identity theft)</td>
<td>Contact applicant at telephone # provided</td>
<td>Review and update your program annually</td>
<td></td>
</tr>
<tr>
<td><strong>Suspicious documents detected in rental application</strong></td>
<td>Consumer reporting agency provides notice of address discrepancy</td>
<td>Obtain address verification/additional documentation such as utility bill address</td>
<td>If applicable*, report accurate address to CRA</td>
<td></td>
</tr>
<tr>
<td><strong>Suspicious personal identifying information</strong></td>
<td>Documents have an altered or forged appearance, photo discrepancies or additional inconsistencies in information provided</td>
<td>Verify information, request additional documentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Suspicious actions by employees</strong></td>
<td>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</td>
<td>Verify information from other sources, request additional documentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application is incomplete and remains so after additional requests</td>
<td>Verify all application information, document all communications and information, deny application</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost keys to confidential file rooms, unauthorized entry of a unit, missing personal items</td>
<td>Investigate, analyze evidence, document all information, and amend policies, make staffing changes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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