STATEMENT OF CHAIRMAN SPENCER BACHUS
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
"FIGHTING IDENTITY THEFT – THE ROLE OF FCRA"

Good morning. The Subcommittee will come to order. Our hearing today about the role of the Fair Credit Reporting Act, or FCRA, in fighting identity theft is the sixth in the series of hearings this Subcommittee is holding on FCRA. The provisions in the FCRA that guarantee a single national standard are set to expire on January 1, 2004. We have previously held hearings covering the importance of a national uniform credit reporting system to consumers and the economy and more specifically on how FCRA helps consumers obtain more affordable mortgages and credit in a timely and efficient manner. At our last hearing, we discussed the role of the FCRA in employee background checks and the collection of medical information. Today we will focus on the important issue of identity theft.

This hearing consists of three panels. Our first panel is made up of federal and state law enforcement officials who will inform us about ongoing efforts to apprehend and prosecute identity thieves. Our second panel includes two victims of identity theft who will share their personal experiences with this crime. I appreciate their courage and willingness to appear before us today. Our final panel includes several representatives from the financial services industry who will share their perspectives on the FCRA and identity theft.

Identity theft is a crime committed by individuals or organizations seeking to capitalize on the good name of an innocent and unknowing consumer. It is a particularly heinous crime that harms consumers and financial institutions alike. A typical instance of identity theft involves a criminal using the personal data of another individual to assume that individual's identity. Using the false identity, the criminal will obtain goods or services charged against the victim's credit. The identity thief may also commit additional crimes using the victim's name, creating an arrest record for the victim. These activities obviously tarnish the victim's reputation, credit history, and sense of security. The victim of identity theft must then make a great effort to get his or her credit report and personal history back in good shape. Because the financial losses associated with identity theft are generally the burden of financial institutions and other businesses, not the consumer, financial institutions are also victims of identity theft.

Although statistics on identity theft are not widely available, the problem appears to be growing. In March 2002, GAO noted that there is "[n]o single hotline or database [that] captures the universe of identity theft victims. Some individuals do not even know that they have been victimized until months after the fact, and some known victims may choose not to report to police, credit bureaus, or established hotlines. Thus, it is difficult to fully or accurately quantify the prevalence of identity theft." Nonetheless, the GAO noted that "the prevalence and cost of identity theft seem to be increasing, according to the available data that we reviewed and many officials of the public and private sector entities we contacted." Moreover, according to the Federal Trade Commission, identity theft is the most common complaint from consumers in all fifty states, and complaints regarding identity theft have grown over the last three years.

Existing federal law does address the issue of identity theft. For example, the Identity Theft and Assumption Deterrence Act prohibits the transferring or using another person's identity for fraudulent or other illegal activities. Federal law also makes it illegal to use or traffic in counterfeit credit cards and debit cards and prohibits criminals from attempting to obtain customer identification and other consumer information from financial institutions under false pretenses.

The FCRA also is an important tool in addressing identity theft issues. Financial institutions frequently find that the consumer reports they are able to obtain from credit bureaus under the FCRA provide the most useful information in attempting to distinguish an identity thief from a legitimate consumer. For example, discrepancies between an address or social security number contained in a consumer report and the information contained on an application can be used to identify and prevent an identity theft before it occurs. In addition, an identity thief who knowingly and willfully obtains a consumer report from a consumer reporting agency under false pretenses is subject to criminal penalties under the FCRA.

The FCRA also plays a central role in mitigating the consumer harms associated with identity theft. Under the FCRA, each consumer has the right to review the contents of his or her credit report at no cost and determine whether any fraudulent activity has been attributed to the consumer's credit file. If a consumer has been a victim of identity theft which results in misinformation appearing on the consumer's credit report, the FCRA establishes the mechanism whereby the consumer can notify the credit bureau of the fraudulent information and have that information deleted.

I believe today's hearing will be especially useful with respect to the Subcommittee's legislative agenda. It is my firm intent that we address the issue of identity theft and assist consumers in feeling more secure about the use of their personal information. Although today we will hear about the role of the FCRA in fighting identity theft, I am particularly interested in how the national standards established by certain provisions of the FCRA relate to fighting identity theft. For example, would credit bureaus have an easier time resolving alleged cases of identity theft under a single standard or under 50 different standards? Would identity theft increase if credit or insurance could not be offered through prescreening on a nationwide basis?

Could financial institutions rely on credit reports as a fraud prevention tool if the contents of each credit report varied by state, or if furnishers ceased to provide quality information to credit bureaus? Would restrictions on affiliate sharing result in increased identity theft? These are all important questions directly related to the national standards established by the FCRA.

I want to thank Chairman Oxley, Ranking Member Frank, and Mr. Sanders for working with me on FCRA reauthorization. The Chairman has announced that it is the Committee's goal to introduce and markup FCRA legislation over the next few weeks. I look forward to working with him, the Ranking Member and members of this subcommittee on this important piece of legislation.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement he would like to make.