



Child Identity Theft Study

Conducted by
Javelin Strategy & Research
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Executive Summary

Rarely do parents or guardians consider the possibility that their child may have a credit history with thousands of dollars in debt, and thus few will check to see if their child has a credit report under their name. This can make children easy targets for identity thieves, who are able to capitalize on misusing a child's personal identifying information over a longer time period. As a result, the fraudulent use of a child's information can wreak havoc on his or her financial future, potentially leading to the denial of credit, student loans, housing or employment at a time when that child may need it the most.

Children can experience problems ranging from a wrong name associated with their social security number to more serious cases of actual financial fraud, such as a foreclosed mortgage listed under their credit history. While the problem of child identity theft is still not fully understood by consumers, government or industry professionals, this paper seeks to explore the means, impact and resolution of child identity theft.

The Child Identity Theft Study analyzed cases of child identity theft as well as discrepancies in public data among 500 children. Key findings are as follows:

- The study discovered 5% of the children had one or more credit reports using their social security number (SSN). 3% were found to be actual victims of child identity theft, while 2% were victims of file/credit contamination.
- Among the 5%, the children had on average \$12,779 in fraudulent or wrongly assigned debt.
- While the study found that children were more likely to find problems in their credit histories as they aged, an astonishing 12% of those with problems were age 5 and under.
- A handful of cases stand out as especially severe: one child had seven identities listed under his SSN, with several thousand dollars in medical bills, apartment rentals, and credit accounts in collections; another child's SSN was associated with over \$325,000 in debt.
- One in four victims in the study had bills or lines of credit in collections or foreclosure, while almost two-thirds of these children had fake or wrong names listed under their SSN.
- 42% of those children with erroneous credit reports only had credit files at one credit bureau, meaning their fraud could have gone unnoticed without checking all three bureaus.

Methodology

The Child Identity Theft Study included information on 500 children (age 17 and under) that were enrolled in the Debix Identity Protection Network from July 18, 2008 through September 12, 2008. A total of 26 children had credit files and problems with their credit history. This data was analyzed by Javelin in October 2008. In addition, data on identity fraud was derived from Javelin's Identity Fraud Survey, which was conducted in October 2007 and polled over 5,000 U.S. adults. Javelin also conducted several in-depth interviews with the parents of child identity theft victims to provide a real-world view of how this crime impacts consumers at the personal level.

The term "child identity theft" is used to reflect the unique nature of this crime, as it can encompass the non-financial misuse of a child's information. This contrasts with the term "identity fraud", which generally refers to the fraudulent misuse of an adult's information and may result in financial loss.

Introduction

What is Child Identity Theft, and How is this Crime Being Perpetrated?

Child identity theft occurs when a minor's personal identifying information (such as a social security number and/or date of birth) is fraudulently used for personal gain. The misuse may consist of fraudulent credit accounts, loans, or other non-financial accounts such as utilities; or the information may be used to obtain employment, housing, or healthcare. The perpetrator may be a family member or someone known by the family, or a criminal that targets children because of the lag in time between the theft of the information and the discovery of the crime. With the expansive black market for social security numbers and other valuable identifying information, illegal immigrants also may unknowingly be perpetrators of child identity theft by using social security numbers to obtain employment.

Child identity theft can also result in new-accounts fraud, in which the criminal uses the victim's personal information to open fraudulent new accounts, such as a line of credit, or even a telephone account. New-accounts fraud is the most difficult type of fraud to detect, and it poses the greatest emotional impact to the victim. The average fraud amount and out-of-pocket costs incurred by victims of new-accounts fraud is the highest compared to other fraud types, at \$8,071 and \$1,066, respectively.¹

Many anecdotal cases of child identity theft involve a close family member as the perpetrator, often a parent or relative who has impaired his/her own credit or other personal records. In this instance, this family member begins to use the information of the child, perhaps to open new lines of credit or apply for a loan. Often consumers find it hard to believe that a close friend or family member would perpetrate identity theft against a child, but these individuals often have the easiest access to such information.

Why are Criminals Targeting Children, and is this a Growing Trend in Identity Theft Overall?

Parents rarely consider that their child may have a credit history and therefore rarely check to see if one exists, making children easy targets for identity thieves. In recent months, child identity theft has been attracting increasing media attention; more and more consumers are becoming aware of the issue. In 2007, an estimated 1.17 million² families have had their children's sensitive information (such as a social security number and/or date of birth) exposed in a data breach. While the prevalence of child identity theft is difficult to measure, it is important to show that children's information is being exposed and misused.

¹ 2008 Identity Fraud Survey Report: Identity Fraud Continues to Decline, But Criminals More Effective at Using All Channels, Javelin Strategy & Research, February 2008.

² Consumer Survey, Javelin Strategy & Research, March 2008.

Key Findings

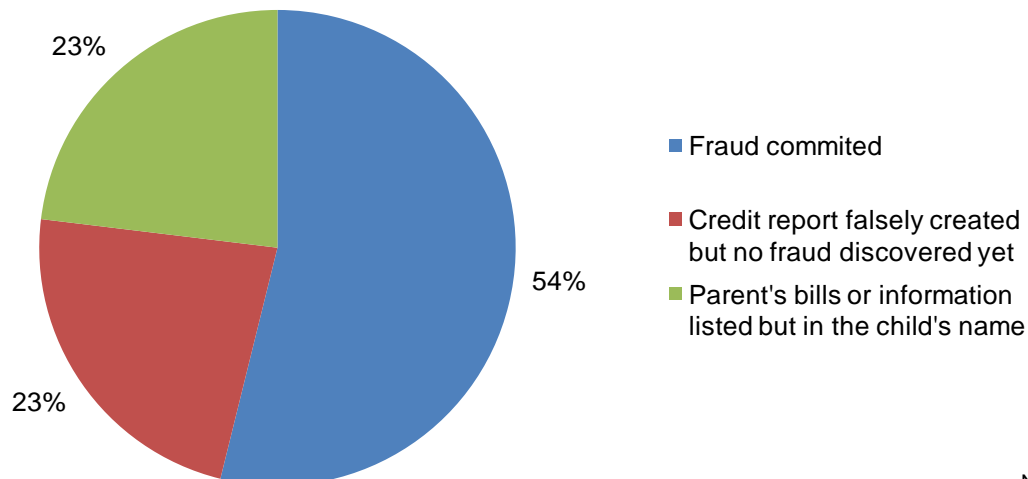
What is at Stake for Victims of Child Identity Theft?

Victims of child identity theft are at significantly higher risk when the fraud is not discovered until the child is turned down for credit. Fraud victims who discovered the fraud when they were turned down for credit took more than three months longer than the average victim to discover the fraud and suffered four times the consumer cost (\$3,078 vs. \$691 on average).³ These victims also spent 61 hours resolving almost \$10,000 in fraudulent debt. When the fraud is detected within three months, 75% of victims will spend nothing out of their pockets and most will spend less than three hours of their own time resolving the fraud. When swift action is taken upon the discovery of child identity theft, both parents and children can move past this experience more quickly and with less worry.

What Types of Problems are Occurring with Children's Identities?

The Child Identity Theft Study examined 500 children's social security numbers and credit histories and discovered 26 children with problems ranging from credit files with wrong names, debt, foreclosures, and medical bills already in collections. Among this 5% of children with credit file problems, victims averaged \$12,779 in debt already listed on their credit report. Overall, 3% of the participants experienced fraud, while another 2% experienced problems in their credit histories that were not associated with fraud but would prevent a child from having clear ownership of their SSN.

Overall Breakdown of Children with Credit File Problems



N = 26
Base: Children with credit file problems
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³ 2008 Identity Fraud Survey Report: Identity Fraud Continues to Decline, But Criminals More Effective at Using All Channels, Javelin Strategy & Research, February 2008.

Key Findings, Cont.

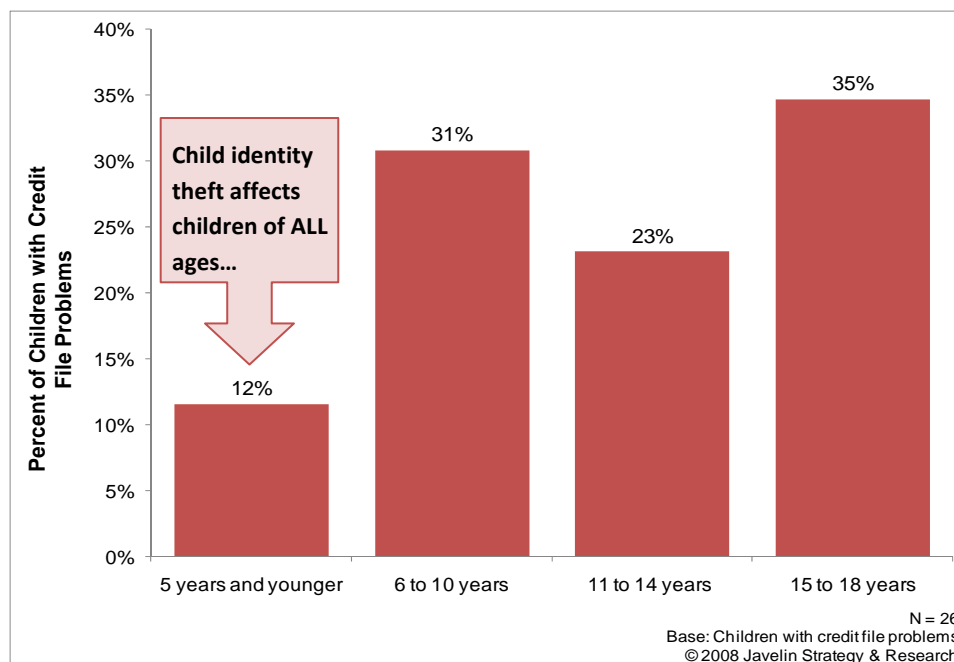
Who is at Risk of Child Identity Theft?

While the study found that children were more likely to find problems in their credit histories as they aged, an astonishing 12% of those with problems were age 5 and under. The potential damage involving a very young child is high, especially because the misuse is likely to go on undetected for a longer period of time.

Not all of the children found with credit file problems were victims of identity theft, but 54% of these children had confirmed fraud in their credit histories. However, children who were not victims of identity theft are at still at risk, due to the possibility of the legitimate bills belonging to their parents (but listed under their names) ending up in collections. Even these children could have their credit histories tarnished before they become an adult due to wrongly assigned bills.

Even very Young Children are Affected by Identity Theft

Distribution of Children by Age (Those with Identity Theft)



Key Findings, Cont.

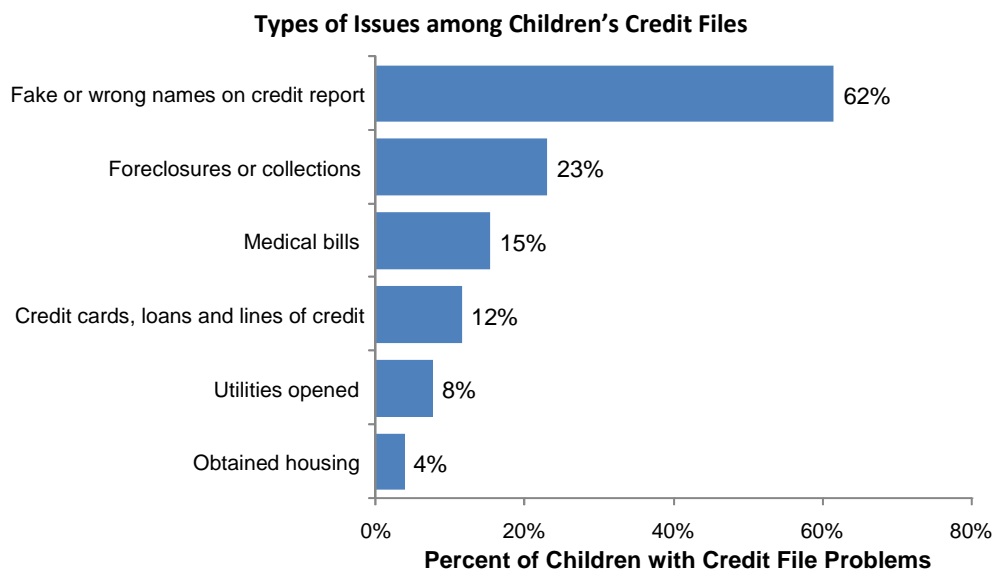
What Identity Theft Problems were Experienced by these Children, and How Extensive was the Damage?

The damage caused by child identity theft can vary from a single fraudulent bill in collections to a foreclosed mortgage. The Child Identity Theft Study found that on average, children with problems in their credit histories saw \$12,779 in fraudulent or wrongly assigned debt. In one of these cases the child's SSN was associated with over \$325,000 in debt. For 62% of the cases, an SSN was attached to a different identity and the child will not be able to use his or her SSN until the discrepancy is resolved.

One in four victims in the study had bills or lines of credit in collections or foreclosure, while almost two-thirds of the children had fake or wrong names listed under their SSN. One child's SSN had seven identities associated with it, with several thousand dollars in medical bills, apartment rentals and credit accounts in collections.

Child identity theft problems can be even more serious than the average identity theft incident experienced by an adult. If the case of adult identity theft, victims would spend more than 43 hours of their own time resolving the fraud and more than \$1,300 to recover their good names.⁴ Considering the cases of child identity theft revealed by the study, criminals would have obtained twice as much in goods and services using the victim's information compared to the average adult identity theft victim.

Child ID Theft can Result in Severe Problems, such as Foreclosures and Lines of Credit



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Interviews with Parents and Victims

What Impact does Identity Theft have on a Child's Future?

Whether it is confirmed identity theft, or an error on the part of lenders or the credit bureaus, the impact to the parent and/or child is considerable from both a financial and emotional standpoint. Regardless of the presence of actual fraud, the child is imposed with information that is not their own, and this can hinder the ability to apply for credit, loans, housing and employment. In other words, child identity theft can hold severe repercussions for the victim at an age when he or she is just beginning to establish financial credibility and begin his or her own life. The following are actual reports from the parents and children who faced these issues, based on interviews conducted by Javelin.

Jeff from Kentucky

It was discovered that Jeff's 14-year-old son had a credit history that went back more than 10 years. His son had several credit cards, as well as a foreclosed mortgage already in his credit history. Jeff has filed a police report, providing law enforcement with the information he had. Thus far, the fraud amount has been assessed at \$607,000 and the case is still being resolved.

"I was very upset; you just don't think someone will use your child's identity. He was only three years old when somebody started using it, and the thought of that made me sick to my stomach." - Jeff

Cristen from Texas

Cristen's four year-old daughter had a credit file at Experian that may be associated with an individual living in another state. She has sent letters to the three credit bureaus requesting them to pull the credit reports. The severity of the case is still being determined and it is currently under investigation.

"Who knows what could've happened had this been discovered later on. I am relieved that the discovery happened at age four, rather than 14." - Cristen

Greg from Washington

Greg discovered that the misuse of his 18-year-old daughter's SSN spanned her entire lifetime. Greg contacted law enforcement, but the police was not able to issue a complaint without a credit report. To further complicate matters, the credit agency denied Greg's request to pull the report because the owner was a minor. So far, Greg has spent over 20 hours resolving the issue and is now working on getting a new SSN for his daughter. His daughter will file FAFSA forms and apply for student loans in January.

"My oldest [daughter] just graduated [from college]. We thought this should be a piece of cake. But especially for my daughter, it would have been devastating if it hurt her chances of getting into college." - Greg

Lindsey from Texas

Lindsey had applied for an internship her junior year of college, but after a background check revealed someone was only using her social security number to get a job, the background check revealed that she was "unemployable" because she did not "own" her SSN. She spent six months resolving issues with credit bureaus, the Social Security Agency, and her employer. Her internship has since turned into a full-time job, but she is still worried that anyone could use her SSN again.

"It was like a full-time job. I spent hours and hours doing paperwork, standing in line, and sitting on the phone computers. I'm extremely careful now...I check my credit incessantly." - Lindsey

Protecting Your Child from Identity Theft

Parents and children can take some simple precautions to keep sensitive information safe:

- **Keep your child's social security number private:** Do not carry your child's social security number in your wallet. If coaches, doctors or schools ask for your child's SSN, ask to use a different number for identification or make sure that the number will be kept safe and not left out in the open.
- **Write to ChoicePoint, Equifax, Experian and TransUnion twice a year:** Parents should write to the three credit bureaus and ChoicePoint, asking if there is activity on credit files or public records using their children's SSN. Make sure all correspondence is sent certified mail, return receipt requested.
- **Shred sensitive documents before discarding:** Before you throw documents that contain social security numbers, account numbers, medical record numbers or other identifying information into the trash, be sure that they are properly shredded.
- **Watch out for offers in the mail to your child:** Mailed offers such as pre-approved credit cards sent to your child's name could be a warning sign that your child has a credit history.
- **Beware of what sensitive information you (or your children) share:** Web sites such as MySpace or Facebook often prompt for personal information. Be sure to warn your children not to give out their full name, phone number or address to anyone on the Internet, even if there is an incentive for sweepstakes or prizes.
- **Keep physical and electronic documents locked up:** Both parents and students should be careful about leaving financial statements or sensitive documents where roommates, friends, neighbors, in-home employees or visitors might be able to gain access. Password-protect your computers and never leave your laptop unattended in a car, library or cafe.

What Products are out There to Protect Your Family?

Some products designed specifically to protect children or an entire family are available to consumers. The following page gives an overview of these products' features. The guidelines below can help parents select the appropriate level of protection:

- **Continuous monitoring for use of your child's SSN:** Many times, only the child's SSN is used, and the name and date of birth are different. Only checking for a credit report with the child's SSN, name and date of birth will not reveal these other credit histories, using false names. As described in Lindsey's experience on the previous page, this will still result in problems when the child needs to use his SSN. It is important for parents to use a product that can find misuse on their child's SSN regardless of the name on the credit file.
- **Checking for accounts at credit reports at all three credit bureaus:** While most consumers' credit reports are identical between the three credit bureaus, the Child Identity Theft Study found 42% of those children with erroneous credit reports only had credit files at one credit bureau, meaning their fraud could have gone unnoticed without checking all three reports.
- **Checking for accounts at utilities databases, public records and chat rooms:** Many times bills and accounts are not listed at a credit bureau until they have been unpaid for months. Criminals can also engage in the illegal sale of information such as SSNs via chat rooms. By checking for use of your child's SSN outside of the credit bureaus, fraud can be detected and resolved more quickly before these fraudulent accounts end up in collections.
- **Notification if there is a problem:** Parents must be notified quickly in order to take action and begin

Protecting Your Child From Identity Theft

resolving any credit problems before they worsen. Ensure any protection products will notify you if your child has a credit history so that you can begin taking steps right away.

- **Restoration services:** The task of restoring your child’s good name can be more than a parent can handle at times. Last year, victims of new-account fraud spent almost 50 hours of their own time resolving the issues created by identity theft.⁵ Choose a service that can take some of that burden from you to allow you concentrate on your family.
- **Identity theft insurance:** Identity theft insurance will help victims recover the cost of resolving your child’s good name, such as lost wages due to taking time off, fees for government applications and postage. These expenses can be financially significant in the worst cases of identity theft.

What Products are out There to Protect Your Family? (Continued)

Product Features	ID Protection Companies				
	Debix	Family Secure	Identity Force	Lifelock	Trusted ID
Cost per child (without paying for an adult)	\$20	Not supported	Not supported	Not supported	Not supported
Total cost for a family (2 adults, 2 children)	\$88	\$239	\$179	\$160	\$190
Continuously monitors for use of your child's SSN	✓				
Finds accounts at:					
Equifax	✓	✓			
Experian	✓				
TransUnion	✓				
Utilities databases	✓				
Public Records	✓				
Monitoring chat rooms					✓
Orders reports (if they exist)	Credit report, public records			Credit report, SSA	Credit report, SSA, public records, medical benefits
Notifies parents when problems found	Phone	E-mail			Phone
Restoration services	✓	✓	✓	✓	✓
Suppress credit file (if one exists)	✓	✓	✓	✓	✓
Engages law enforcement to pursue cases ⁵	✓				
Set fraud alerts	✓			✓	✓
Product guarantee		\$2 Million		\$1 Million	\$1 Million
ID theft insurance	\$25,000	\$25,000	\$25,000		\$25,000

⁵ 2008 Identity Fraud Survey Report: Identity Fraud Continues to Decline, But Criminals More Effective at Using All Channels, Javelin Strategy & Research, February 2008.

Conclusion

While the national magnitude of child identity theft is still unknown, the fact remains that children are not overlooked by this crime. In fact, children may be more vulnerable because the misuse can go undetected for longer periods of time, due to the fact that most parents consider the possible existence of a credit history with thousands of dollars in debt under their child's name. The children in the Child Identity Theft Study were found with problems ranging from a wrong name associated with their social security numbers to a foreclosed mortgage. This kind of fraud can bear a significant financial and emotional toll on parents and victims resolving this misuse, and can lead young adults to be denied credit, student loans, housing or employment in the future.

As with all types of identity theft, the more quickly child identity theft is detected, the lesser the damage and the easier it is to resolve the case. Victims of child identity theft are at significantly higher risk when the fraud is not discovered until the child is turned down for credit. Identity fraud victims who discovered fraud when they were turned down for credit suffered four times the consumer cost, spending 61 hours resolving almost \$10,000 in fraudulent debt. When swift action is taken, both the parent and victim can move past this experience more quickly, thus lessening the emotional/financial impact.

Recommendations:

Parents can protect their children with some simple steps:

- Keep your child's social security number private
- Shred sensitive documents before discarding
- Beware of what sensitive information you (or your children) share
- Keep physical and electronic documents locked up
- Write to the credit bureaus and ChoicePoint twice per year to check for activity (all correspondence must be sent certified mail, return receipt requested)

If you plan to purchase an identity protection service for your child, be sure it includes the following features:

- Checks credit reports at all three credit bureaus
- Checks utilities databases and public records
- Watches out for offers in the mail to your child
- Notifies you of the existence of a credit file
- Provides identity theft insurance
- Includes restoration services

If you or your child are victims of identity theft, you are not alone. Quick action can help limit the time and burden of resolving the case. There are many resources on the Web that can guide you in restoring your identity or your child's identity:

Federal Trade Commission (FTC)
<http://www.ftc.gov/bcp/edu/microsites/idtheft/>

Identity Theft Resource Center: Fact Sheet 120 - Identity Theft and Children
http://www.idtheftcenter.org/artman2/publish/v_fact_sheets/Fact_Sheet_120.shtml