

Compliance Definitions, Scope, and Guidance

This document supplements, and is not a substitute for, the University's *Identity Theft Prevention Program*, available at <http://controller.umn.edu/redflags/>.

The Red Flags Rule consists of two related but distinct sections. Units may be in-scope for one or both sections. Consequently, each section must be considered separately. Colleges and major administrative units that must comply with one or both sections must complete and submit a Certificate of Compliance form annually to the Controller's Office. This form can be found on the Controller's Office Red Flags Rule website at <http://controller.umn.edu/redflags/>.

Definitions of Key Terms used in Red Flags Rule Legislation

Account means a continuing relationship established by a person with a creditor to obtain a product or service. Examples include (a) an extension of credit, such as the purchase of property or services involving a deferred payment, and (b) a deposit account.

Covered Account means (a) An account that a creditor offers or maintains, primarily for personal, family, or household purposes that permits multiple payments or transactions such as credit and debit card accounts, checking or savings accounts, and student loans; or (b) Any other account offered or maintained by the creditor (including small business accounts) for which there is a reasonably foreseeable risk to customers or to the University from identity theft.

Credit means the right granted by a creditor to a debtor to defer payment of debt.

Creditor means any person who regularly extends, renews, or continues credit, or arranges for the continuation of credit. You are a creditor if you **regularly and in the ordinary course of business** does one or more of the following:

- (a) **obtains** or use consumer reports, directly or indirectly, **in connection with a credit transaction**,
- (b) **furnishes** information to consumer reporting agencies **in connection with a credit transaction**, or
- (c) **advances funds** to or on behalf of a person, **based on an obligation to repay the funds or repayable from specific property pledged by or on behalf of the person**.

Financial institution is defined by *activities* rather than an organization's line of work. University units are in-scope if they act as a bank or credit union, or hold a consumer transaction account from which a consumer can make payments or transfers to third parties.

Red Flags Rule, Section 681.1

Duties Regarding the Detection, Prevention, and Mitigation of Identity Theft

1. Does your area act as a “creditor” or “financial institution”? (The FTC answers this “yes” for all of higher education)
2. Does your area have “covered accounts”?

(a) Does your area offer or maintain accounts that involve a **continuing relationship with a customer** to **obtain a product or service** that includes an **extension of credit** or is a **deposit account** primarily for personal, family, or household purposes?

AND

(b) Do the accounts allow **multiple payments or transactions**, e.g., credit, debit or declining balance card account, checking/savings account, loans, or certain tuition payment plans that allow payment in arrears of class attendance?

If No → *Go to (c).*

If Yes → **Your area must comply with Section 681.1 of the Red Flags Rule.**

OR

(c) Does your area offer or maintain accounts for which there is a **reasonably foreseeable risk** to customers or the University **from identity theft**?

If No → *Your area does not need to comply with this section of the Red Flags Rule.*

If Yes → **Your area must comply with Section 681.1 of the Red Flags Rule.**

Compliance Requirements

Using the tools on the [Controller’s Office Red Flags Rule website](#), complete a risk assessment of the methods used to open and access “covered accounts”. Review past experience with identity theft involving these accounts. Develop and implement reasonable policies and procedures to:

- Identify Red Flags to look for patterns, practices, or specific activities that indicate the possible existence of identity theft.
- Detect these Red Flags when they occur.
- Respond appropriately to Red Flags that are detected.
- Periodically update your Program to reflect changes in risk.
- Train appropriate staff members as needed.
- Provide oversight of service providers that are not hired through University Purchasing Services.

**Red Flags Rule, Section 681.2
Duties of Card Issuers Regarding Changes of Address**

The purpose of the Duties of Card Issuers Rule is to reduce identity theft by verifying cardholder addresses before providing additional or replacement cards.

- 1. Does your area issue credit or debit cards, including stored value cards such as the U Card (Gopher Gold) and payroll deduct cards? Gift cards are not included.**

If No → Your area does not need to comply with this section of the Red Flags Rule.

*If Yes → **Your area must comply with Section 681.2 of the Red Flags Rule.***

Compliance Requirements

- Colleges and major administrative units that issue credit, debit or stored value cards must establish and implement reasonable policies and procedures to **verify a cardholder's address** if the card issuer receives a change of address notification, **and** within a short period of time also receives a request for an additional or replacement card for the account. Before fulfilling the request, the **card issuer must first:**
 - Notify the cardholder of the request at the cardholder's former address or any other means of communication that the card issuer and the cardholder have previously agreed to use;
 - AND**
 - Provide the cardholder with a reasonable means to promptly report an incorrect address change, or
 - Assesses the validity of the change of address in accordance with the card issuer's policies and procedures.

- Colleges or major administrative units who must comply with this section of the Red Flags Rule must train appropriate staff members as needed.