

Identity Theft **911**[®]

WHITE
PAPER
MAY
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IDENTITY THEFT IN TEXAS

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BY IDENTITY THEFT 911, LLC

I. INTRODUCTION

Texans like to think of their state as unique, different from all the others. The Lone Star. When it comes to identity theft, they are absolutely correct. For many years, Texas has had one of the highest rates of identity theft in the nation, and a number of factors set Texas apart. In most states, the identity theft epidemic is roughly consistent across most urban areas, both in the crime's frequency and in the type of fraud committed. Texas, however, can be appropriately thought of as two different states when it comes to identity theft. Its northern cities generally mirror the rest of America, where stolen identities are most often used for financial fraud, such as hijacking bank accounts or creating new credit cards in the victim's name.

However in South Texas, everything changes. There, in the cities that line the Mexican border, identity theft is simply out of control. Just ten years ago, a stolen purse or wallet meant that the victim lost whatever cash they had on them, and maybe a few fraudulent charges were made on their credit cards. Today, it's an entirely different ballgame. To an illegal immigrant, a valid driver's license or passport is worth far more than cash, because such documents unlock the door to a more prosperous life in the United States. Now, a simple theft or burglary can balloon into a major crime that can endanger a family's economic livelihood for years. Citizens in South Texas become victims of identity theft at twice the national rate, and in fact the vast majority of those cases do indeed involve undocumented immigrants buying papers that allow them to work in this country, local law enforcement officials say. "It's just incredible the number of reports we get," said Lt. Orlando Rodriguez of the Brownsville Police Department.

On the other hand, Texas also is unique in its response to the problem. While leaders in some other states drag their feet, Texas lawmakers have been particularly aggressive in passing legislation that gives law enforcement agencies increased power to crack down on identity thieves.

"We have one of the toughest ID theft laws in the nation," Texas Attorney General Greg Abbott said in a recent interview with Identity Theft 911. "That plus strict enforcement is getting the message out that Texas does not take identity theft lightly."

And Abbott has built a reputation as one of the few state officials in the nation who actually uses his power to find and prosecute companies that endanger consumers' identities.

"It's just neglect," Abbott said. "Some companies have gotten used to dumping records any way they choose. Now they're learning they can't do that anymore."

He recently exercised that power to charge the retail pharmacy giant CVS with exposing hundreds of customers to identity theft by improperly discarding documents containing sensitive personal information, such as credit card numbers and birthdates. CVS was forced to pay a \$315,000 fine.

"I certainly think that a \$315,000 fine is a significant hit to any company's bottom line," Abbott said. "Most companies will find it is much cheaper to buy a shredder than to pay a fine like that."

Unfortunately, there is much left to do. Law enforcement officials across the state report that they are overwhelmed by the volume of identity theft complaints landing on their desks. The state's county court records are currently a goldmine of citizens' personal identifying information, and county clerks are in the midst of an extensive and painstaking task of redacting the sensitive data. Additionally, law enforcement is beginning to see cases that suggest that some identity thieves are becoming more organized.

The number of identity theft-related complaints from Texans to the federal government declined slightly last year, but the decline was not as sharp as in most other states. Besides, we know that the federal tally vastly under-represents the epidemic's scope.

In this white paper, we will attempt to paint a truer picture. Using the best data available from the Federal Trade Commission, we estimate that more than 880,000 Texas residents were victimized by identity theft in 2007. That's 34 times the number of complaints Texans filed with the FTC last year. When one considers the amount of money stolen in identity thefts, as well as the time lost by the median identity theft victim, this means that the Texas economy lost more than \$400 million last year, and \$2.4 billion since 2002. Citizens wasted millions of hours attempting to resolve their credit problems and restore their good names.

The identity theft problem in Texas is as large and varied as the state itself. We hope that this in-depth exploration of the problem will help the citizens and leaders of Texas better understand the problem, so that they can continue to lead the nation in finding new solutions.



EXECUTIVE SUMMARY

- Approximately 880,400 Texans became victims of identity theft in 2007. This is roughly equivalent to the combined populations of Austin, Edinburg and Midland having their identities stolen in a single year¹.
- Over 4.7 million Texans – 20 percent of the state’s population – are estimated to have been victims of identity theft in the six years that ended Dec. 31, 2007. The majority of Texas households – 64 percent – may have been hit by identity theft during that time.
- Texas identity theft cost an estimated \$435.7 million in 2007. Victims spent almost 3.5 million hours resolving identity theft issues.
- Identity theft in Texas has cost almost \$2.4 billion during the last six years, and forced victims to waste 19 million hours.
- In recent years, Texas has been consistently the fourth worst state in the nation for the rate of identity theft per capita. The annual per capita rate of identity theft in Texas has increased 16 percent since 2003.
- In several South Texas cities, the rate of identity theft victimization is more than twice the national average.
- Employment-related identity theft, especially connected to illegal immigration, is the largest single use of stolen identities in Texas, accounting for an estimated 211,300 crimes last year. When taken together, financial crime of all types was even more prevalent, involving an estimated 466,700 stolen identities.

¹ Based on population estimates by the U.S. Census Bureau, available at: <http://www.census.gov/popest/cities/tables/SUB-EST2006-04-48.xls>



FINDING THE BEST DATA

Think tanks, academics and industry trade groups regularly publish studies attempting to quantify the problem of identity theft in the United States. While some of this research is valuable and well done, the methods vary widely, as do results. In this environment, the most nearly definitive source on identity theft trends is the Federal Trade Commission, which gathers identity theft complaint data from all 50 states in its Identity Theft Data Clearinghouse and publishes it in an annual report. The commission also performs occasional surveys of identity theft victims. While both data sets contain their own methodological problems (which we will discuss below), they remain the largest, most consistent and most respected benchmarks of identity theft information in the country.

All data in this white paper comes from the Federal Trade Commission's annual Identity Theft Data Clearinghouse Victim Complaint Data reports or its 2006 Identity Theft Survey Report, unless otherwise noted.

Clearinghouse data is available at:

<http://www.ftc.gov/bcp/edu/microsites/idtheft/reference-desk/index.html>

<http://www.ftc.gov//opa/2008/02/fraud.pdf>

The survey report is available at:

www.ftc.gov/os/2007/11/SynovateFinalReportIDTheft2006.pdf

According to the FTC's 2007 data, published in its annual Identity Theft Data Clearinghouse report, 25,796 Texas residents filed identity theft complaints with the commission in 2007. This represents a miniscule, 0.8-percent decline from 2006. It is unknown why the number of complaints decreased. One theory is that fewer identities actually were stolen in Texas last year. However, it is also possible that thieves became increasingly sophisticated in covering their tracks, which made detection more difficult. Or maybe Texans were simply less diligent in reporting the crime to the FTC in 2007 than in previous years.

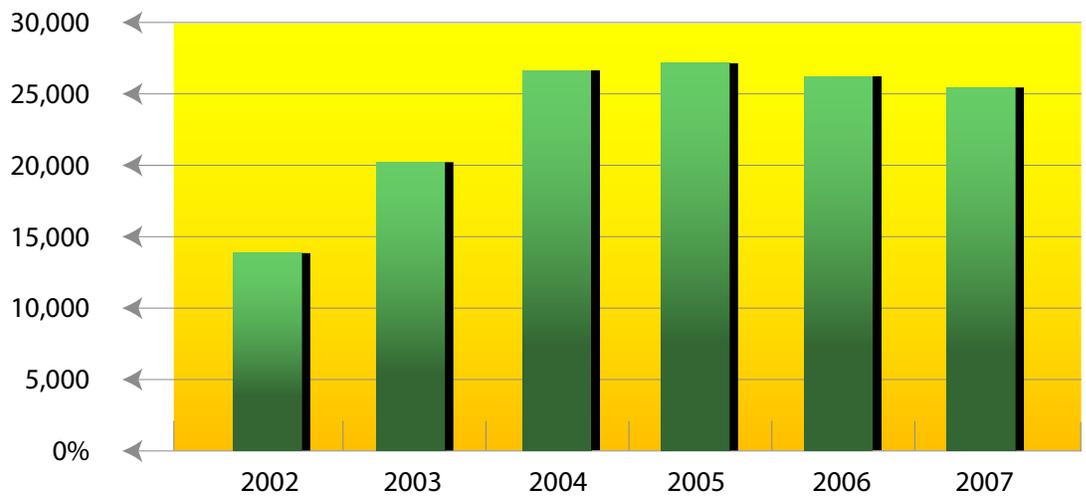
Even the FTC doesn't know. "The fact is that a relatively small number of ID theft victims actually complain to us," said Keith Anderson, an economist at the Federal Trade Commission who studies identity theft.

Even a small drop in the number of complaints represented an improvement over the national trend, however; nationwide, identity theft complaints increased almost 5 percent from 2006 to 2007.

In 2002, the first year for which comprehensive state-by-state FTC data is available, Texans filed 14,357 complaints of identity theft. The number increased almost 44 percent the following year, to 20,634, and increased again in 2004 to 26,454, a 28 percent rise from the preceding year. Since then, the complaint numbers have remained fairly steady, varying by only a few hundred each year even as other Sunbelt states such as California, Arizona and Nevada experienced great fluctuations in the number and rate of identity theft complaints.

Year	Number of Complaints in Texas	Number of Complaints Nationwide ²	TX as a Percentage of National Complaints
2007	25,796	258,427	10%
2006	26,006	246,124	10.57%
2005	26,624	255,627	10.42%
2004	26,454	246,570	10.73%
2003	20,634	214,905	9.6%
2002	14,357	161,819	8.87%

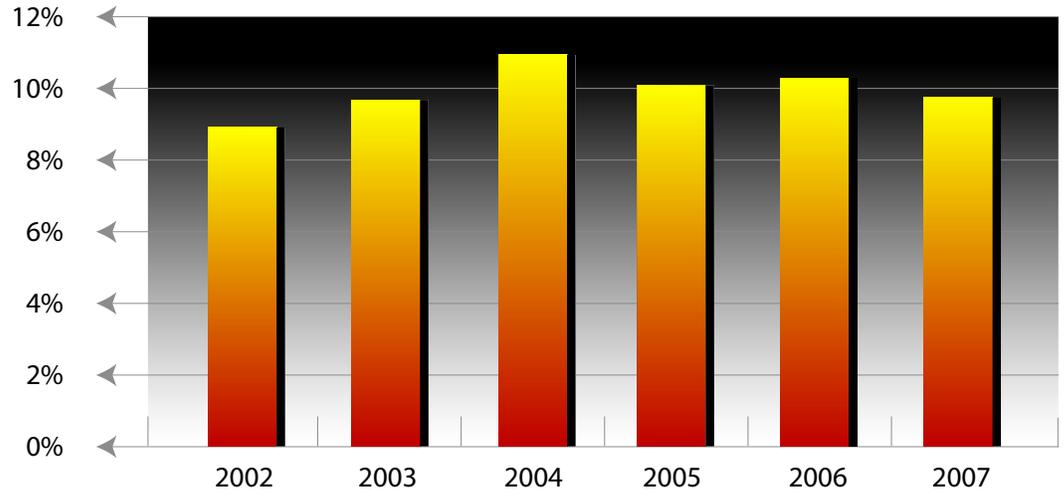
Number of Complaints in Texas



² For years 2005, 2006 and 2007, we use the totals found in the FTC's Consumer Fraud and Identity Theft Complaint Data report, published February 2008, because it is more reliable and includes complaints that were not yet resolved by the time the annual clearinghouse reports were published. Available at: <http://www.ftc.gov/opa/2008/02/fraud.pdf>

For years 2002, 2003 and 2004, we have used the totals found in the annual reports. Available at: <http://www.ftc.gov/bcp/edu/microsites/idtheft/reference-desk/index.html>

Texas Complaints as a Percentage of National Complaints



Even as complaints from nearby states and the entire nation rise and fall, the steady but high number of complaints from Texas has given the state the fourth worst rate of identity theft per capita every year since 2003 (in 2002, Texas came in fifth). Last year, 108 of every 100,000 Texans reported their identity theft cases to the FTC. That was roughly three times the rate of some states such as Iowa and North Dakota. Only three states – Arizona, California and Nevada – fared worse.

Summary

The statewide totals for identity theft are highly similar year-to-year in Texas. The state has ranked among the top 5 for worst identity theft rates in the country since the federal government began comprehensive tracking of state identity theft data in 2002. But consistency should not lead to complacency. Texas residents face a higher risk of identity theft than the vast majority of Americans.

IV. TRACKING, AN INEXACT SCIENCE

Complaints to the FTC are the best data we have concerning identity theft. Unfortunately, even the best data is fundamentally flawed. That's because identity theft isn't like other crimes. Police and sheriff departments aren't required to track identity theft separately or report it annually to the FBI, which tallies all traditional crimes like burglary, larceny and motor vehicle theft every year in its Uniform Crime Report.

And unlike victims of the aforementioned crimes, many victims of identity theft do not realize they've been hit until months or sometimes years later. A quarter of all victims whose stolen identities are used to create new credit and bank accounts do not discover they've become victims until six months or more after the theft occurred, according to the FTC. And 56 percent of all victims have no idea how their identities were stolen.

In Texas, the delay can be even longer. That's because many victims' identities, especially those who live along the southern border, are used by undocumented immigrants to gain employment. Most border victims learn of the crime when they receive IRS statements in the mail demanding payment of payroll taxes for jobs they never worked, in states where they've never lived.

"They usually find out when they get their tax returns, and the returns are usually a couple years behind the theft itself," said Officer Nancy Pena of the McAllen, Texas, Police Department, who was assigned to work identity theft cases full time starting in January 2007.

The problem is also one of definitions. If someone's stolen identity was used to gain employment, that's a fairly straightforward case of identity theft. But in cases when a stolen identity is used to carry out some other type of crime, especially financial frauds, both the victim and the police are just as likely to call the crime robbery or fraud as they are to call it identity theft. Perhaps this is why 74 percent of all identity theft victims never contact the police about the crime, according to the FTC's 2006 consumer survey, and 79 percent never report the theft to one of the three major credit bureaus. In 19 percent of identity theft cases where the victim contacts the police, the responding officer never bothers to fill out a report, the first step for any victim looking to protect her credit.

"If you ask somebody whose credit card has been misused whether their ID was stolen, some people would say yes and others would say no," said the FTC's Anderson. "It's a problem, because everybody has a different definition of identity theft."

Another barrier to tracking identity theft in Texas: police departments report that the high volume of complaints overwhelms efforts to keep tabs on all the cases. In McAllen, Texas, Officer Pena says she receives about 50 new complaints of identity theft every month. If this rate continues for the rest of the year, it will mean that the city's rate of identity theft, already the fifth-highest of all cities in the nation, is twice as high as FTC complaint data suggests.

The same is true in larger Texas cities. The FTC received 6,443 complaints of identity theft from the entire Houston/Sugar Land/Baytown metropolitan area in 2007. We know that this vastly under-represents the problem. The Houston police department alone received about 13,000 complaints last year³. But this is not an exact tally, and the department does not disaggregate the data to see which types of identity theft are getting worse.

“Identity theft is so prevalent that police departments just don’t have enough resources to dedicate to it,” said Robert Manzo, supervisor of the financial crimes unit for the Houston Police Department, which has 13 officers to handle all such crimes, including identity theft. Lt. Manzo himself recently became an identity theft victim. Someone skimmed the information from his credit card, issued by the police credit union, and used it to buy almost \$700 worth of pizza.

“I wish we had more people,” Lt. Manzo said. “Obviously the number of officers assigned is not adequate.”

³ According to estimate made by Lt. Robert Manzo



BRINGING THE BEST
DATA FORWARD

The FTC compiles identity theft complaints into an annual report. It also conducts occasional consumer surveys, which provide far more in-depth insight into the nature and scope of identity theft across the country. Many statisticians have criticized these surveys for their small sample size. The latest survey, conducted in 2006 and published in 2007, relied on interviews with just 915 identity theft victims. The small number of respondents and the commission's complicated method for weighting the results prompted many analysts to criticize the report's results.

Nevertheless, the FTC called 49,100 phone numbers for the survey, and successfully interviewed almost 5,000 people. This makes it one of the largest and most representative surveys yet conducted on identity theft.

Using complaint data to estimate the true number of identity theft cases in Texas presents methodological problems, as well. By relying on victims to self-report identity theft, the FTC's Identity Theft Data Clearinghouse introduces a number of variables into the process, including the problem that few people even know that the commission has such a function. "Complaint data can be affected by all kinds of things," the FTC's Anderson.

However, the FTC finds the complaint data valuable enough to publish every year, giving us the only currently available identity theft data segregated by state. By comparing this state data with national data contained in the 2006 Identity Theft Survey Report, we hope to provide the most accurate picture of the identity theft epidemic in Texas.

In its 2006 survey, the FTC asked respondents whether they had been victims of identity theft in 2005. Based on its results, the commission estimated that 3.7 percent of American adults, or 8.3 million people, were victims of identity theft in 2005.

In 2005, the FTC's Identity Theft Data Clearinghouse received 255,627 complaints⁴. If the FTC's estimate for the number of total victims is correct, this meant that only 2.93 percent of all 2005 identity theft crimes were reported to the federal government⁵.

Texas reported 25,797 cases of identity theft to the FTC in 2007. If this represents 2.93 percent of the actual number of victims, it means that an estimated 880,400 Texas residents were victims of identity theft last year⁶.

Another possible – but rough – method of estimating the actual number of identity theft victims in Texas would be to use the FTC's estimated annual victimization rate for the entire country, 3.7 percent, and apply that to Texas. If the statewide victimization rate is 3.7 percent, it would mean that 885,640 Texans were victimized in 2007. This is encouraging, because the result so closely corresponds to the estimate of 880,400 reached using the method above. It raises questions, however, about how Texas, the state with the fourth highest identity theft rate, can so closely match the FTC's estimated rate of identity theft nationwide. One might expect the crime rate in Texas to be higher than the national rate. Perhaps this phenomenon occurs because the rates in other Sunbelt states such as California, Arizona and Nevada are so much higher than the rest of the country that they have a disproportionate effect on the nationwide average.

⁴FTC Consumer Fraud and Identity Theft Data report, published February 2008. Available at: <http://www.ftc.gov//opa/2008/02/fraud.pdf>

⁵ We arrive at this estimate in the following manner. Because the 2006 Identity Theft Survey Report published in November 2007, asked respondents about identity thefts in 2005, we must compare survey data to clearinghouse data from 2005. Clearinghouse data includes both adults and children, whereas survey data includes only adults. To make clearinghouse and survey data comparable, therefore, we must remove children from the clearinghouse numbers. In its survey, the FTC estimates that five percent of identity theft victims are children. Therefore, we take five percent of the total number of complaints, subtract that from the total number of complaints, and arrive at an estimated number of adult victims nationwide in 2005. So, $255,627(.05) = 12,781$. Then, $255,627 - 12,781 = 242,846$ estimated total number of adult victims.

Next we must determine the reporting rate, which equals the number of complaints divided by the estimated total number of victims. If the FTC received 242,846 identity theft complaints from adults in 2005, and the total number of victims was 8.3 million, then the reporting rate is $242,846$ divided by 8.3 million = $.0293$.

⁶We arrive at this estimate by assuming that the number of identity theft complaints from Texas in 2007 (25,797) equals 2.93 percent of the actual total number of victims (X). This assumes that the national reporting rate of 2.93 percent is roughly similar to the rate in Texas. It also assumes that the reporting rate did not change significantly between 2006 and 2007. So if $25,797 = .0293 X$, then $X = 880,400$. Throughout this report, we have rounded estimates to the nearest hundred.

In addition, the method of applying a national average to individual states would tell us little about the variation in identity theft trends among states and within states, as reported by law enforcement officials from around the country. But the result is a further indication that an accurate count of identity theft crimes in Texas is a large multiple of the FTC’s annual complaint data. The FTC’s raw data already tells us that Texas has one of the worst identity theft problems in the country. But by combining the best data from multiple FTC sources, we can show with a high degree of confidence that identity theft is far more pervasive in Texas than most people realize. Used together, the FTC’s complaint and survey data shows that the actual number of identity theft victims in Texas is roughly 34 times the totals presented each year by the Identity Theft Data Clearinghouse.

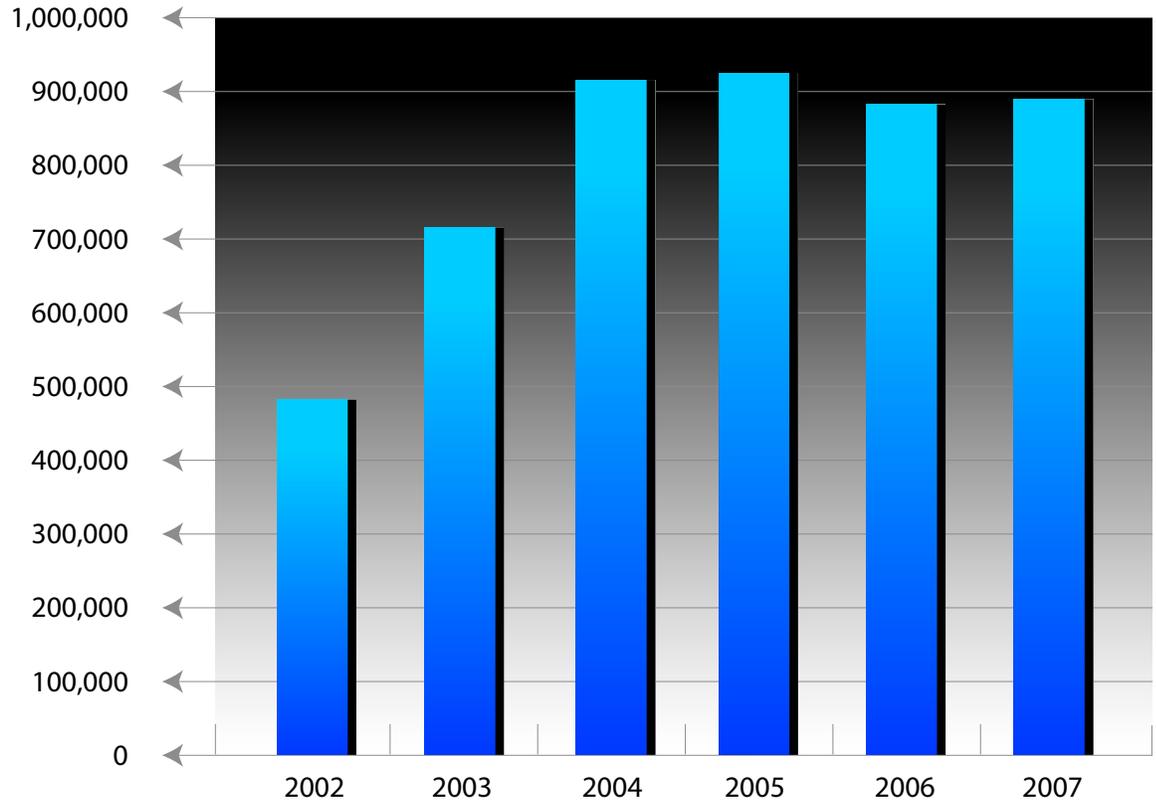
Another way to think of identity theft’s impact on Texas is to consider its toll on the state’s households. There were 7,393,354 households in Texas in 2000⁷, the latest year for which numbers are available. If we divide the estimated number of victims by the number of households, it means that 12 percent of Texas households were directly affected by identity theft last year⁸. With an estimated 4,773,800 victims in Texas over the last six years, this calculation suggests that the majority of Texas households – 64 percent – may have been hit by identity theft in the last six years.

Year	Total Estimated Number of Victims in Texas
2007	880,400
2006	887,600
2005	908,700
2004	902,900
2003	704,200
2002	490,000
Total	4,773,800

⁷ <http://txsdc.utsa.edu/data/census/2000/dp1/place/pltab-6.txt>

⁸This estimate uses household data from 2000 and applies it to complaint data and estimated number of victims from 2007, which makes the estimate somewhat less reliable than if we had more recent data on households. Also, this estimate is approximate because there is no way to account for multiple members of the same household becoming victims of identity theft.

Total Estimated Number of Identity Theft Victims in Texas



Conclusion

An estimated 4.8 million Texans have been hit by identity theft in the last six years. This means that the number of victims is equivalent to about 20 percent of the state's population⁹.

⁹Based on the U.S. Census Bureau estimate for total Texas population in 2007: 23,936,227. Available at: http://factfinder.census.gov/servlet/DTable?_bm=y&-context=dt&-ds_name=PEP_2007_EST&-mt_name=PEP_2007_EST_G2007_T001&-CONTEXT=dt&-tree_id=807&-geo_id=04000US48&-search_results=01000US&-format=&-_lang=en

VI.

THE COST OF IDENTITY THEFT IN TEXAS

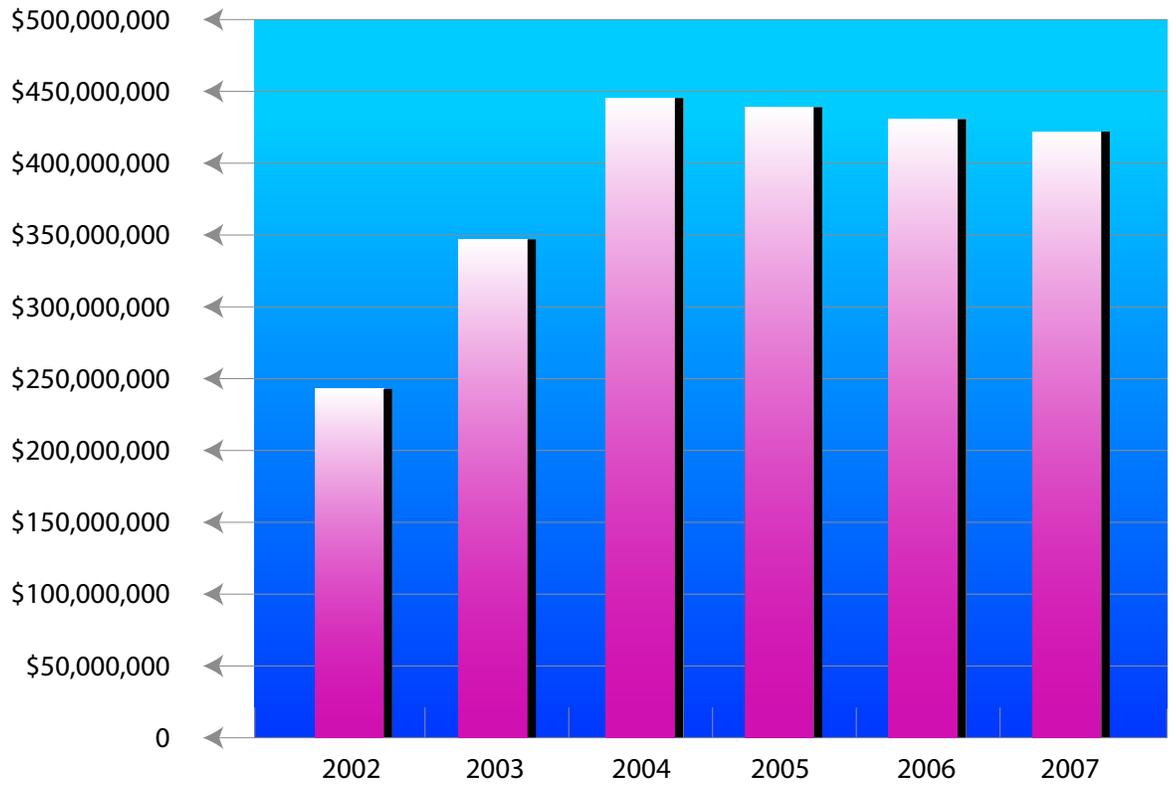
According to the FTC's latest survey report, "the median value of goods and services obtained by identity thieves for all categories of ID theft was \$500." The median case of identity theft forces the victim to spend four hours filing a police report and negotiating with creditors to fix the problem. The relatively small number of cases actually reported to the FTC last year would have cost the economy almost \$13 million, and wasted 103,000 hours.

Obviously, the true costs were far greater. Using the FTC's estimate for the percentage of identity theft crimes that actually get reported, identity thieves in Texas likely stole \$440.2 million from the economy last year alone. And they forced victims to waste over 3.5 million hours resolving credit and identity issues.

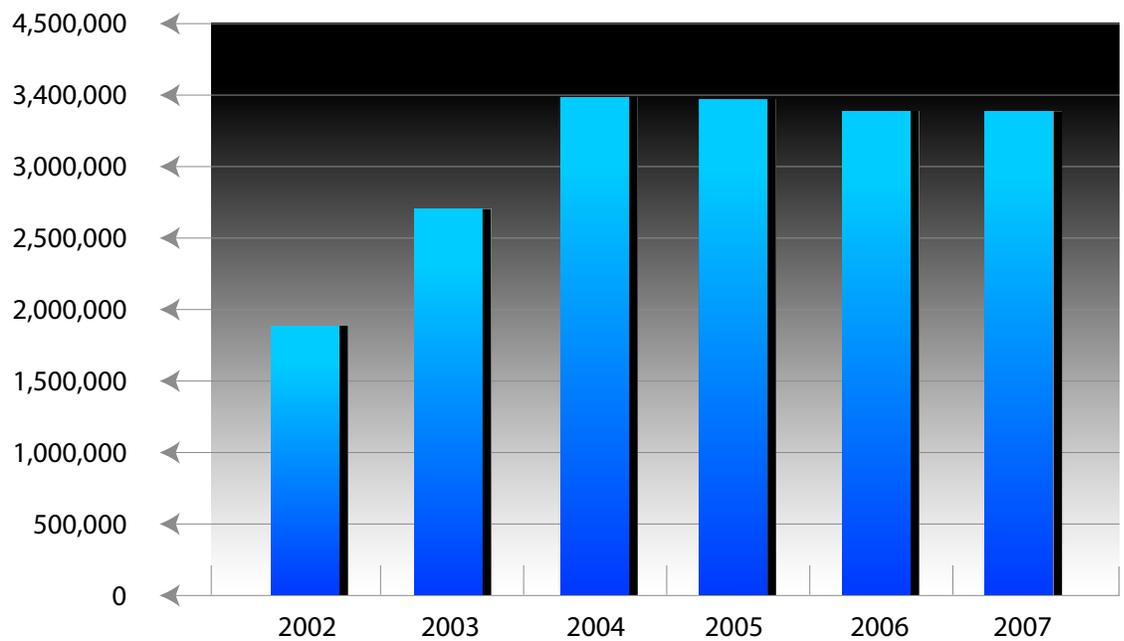
Furthermore, the amount of money and time that identity thieves have stolen since the FTC first started tracking the crime in 2002 is astounding. Texas identity theft has cost almost \$2.4 billion in that time, and forced victims to waste 19 million hours. In short, identity theft in Texas constitutes a heavy and constant drag on the economy, and on victims' time.

Year	Value of Goods and Services Stolen	Hours Spent Resolving Crime
2007	\$440,200,000	3,521,600
2006	\$443,800,000	3,550,400
2005	\$454,350,000	3,634,800
2004	\$451,450,000	3,611,600
2003	\$352,100,000	2,816,800
2002	\$245,000,000	1,960,000
Total	\$2,386,900,000	19,095,200 hours

Total Value of Goods and Services Stolen in Identity Theft Cases in Texas



Total Hours Spent Resolving Identity Theft Crimes in Texas



VII.

IDENTITY THEFT IN TEXAS BY TYPE AND REGION

A stolen identity is rarely a thief's end goal. Instead, it is usually the key that unlocks doors to a number of other, more lucrative crimes. In Texas, the most common use for a stolen identity is employment fraud, accounting for 24 percent of all the cases reported last year from Texas to the FTC. This is significantly higher than the national average of 14 percent.

According to Texas law enforcement officials, the state's high rate of employment-related identity theft and its position as a border state go hand in glove. Most believe that the state's most common form of identity theft is virtually synonymous with illegal immigration.

"Our high rate of identity theft fits right in with our proximity to the international border with Mexico and the collateral issues with illegal immigration," said Lupe Treviño, sheriff in Hidalgo County, which sits on the border.

This apparent relationship between identity theft and immigration appears to be borne out by the distribution of different types of identity theft in different parts of Texas.

In most of Texas, especially the state's largest cities, identity theft trends generally mirror national statistics, in which most stolen identities are used for purely financial scams such as credit card fraud, phone and utilities fraud. In Dallas, an identity is more likely to be used to obtain fraudulent government benefits, credit cards or bank account access than employment. In Houston, financial fraud far outstrips job fraud.

Other Texas cities stand out for having unusually high rates of bank fraud. Nationally, only 13 percent of stolen identities are used for bank fraud. But Midland, Wichita Falls, Tyler and Abilene, Texas, all have bank fraud rates of 20 percent or higher.

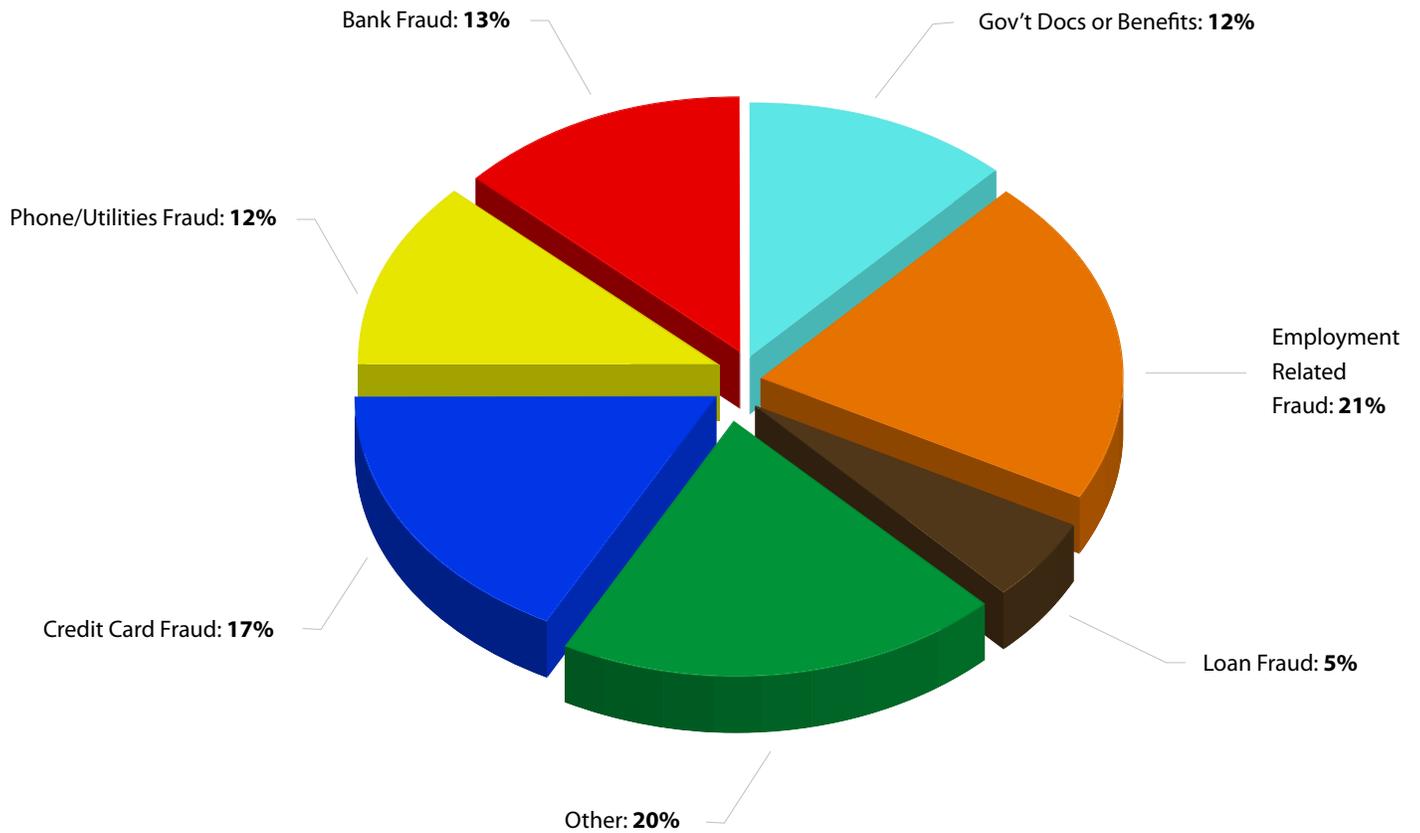
The fact that employment-related fraud dominates statewide identity theft statistics, even though it represents less of a problem in the state's largest cities, is an indication of just how extensive the epidemic is in the small cities near the border. In Brownsville and Laredo, employment-related fraud constitutes around 60 percent of all identity theft cases. In McAllen, it's 67.5 percent.

"I personally take five to ten identity theft reports a day, and I don't handle all the reports coming in," said Lt. Rodriguez of the Brownsville Police Department.

Texas, therefore, functions like two different states in one when it comes to identity theft. The northern two-thirds of Texas are similar to the rest of the country, with financial fraud dominating the identity theft landscape. The southernmost part of the state, however, stands apart not just from the rest of Texas but from the entire country. A few small, scattered cities have higher individual identity theft rates, but no other region in the U.S. suffers such consistently high crime rates as the Rio Grande Valley. We will further discuss the reasons for this trend and its implications below.

In any case, FTC complaint data greatly underestimates the true scope of identity theft in Texas. The FTC estimates that only 2.93 percent of identity theft victims report the crime to the commission. Applying this estimate to the number of reported cases from Texas last year, we are able to make a more accurate estimate for the number of identity thefts by fraud category.

Types Of Fraud	Estimated Number Of Cases In 2007 ¹⁰
Credit Card Fraud	167,300
Phone/Utilities Fraud	114,400
Bank Fraud	132,000
Employment-related Fraud	211,300
Gov't Docs or Benefits Fraud	114,400
Loan Fraud	53,000
Other Forms of Identity Theft	194,000



¹⁰The projected totals listed here add up to 986,400, which is more than our total estimated number of victims stated above, 880,400. This is because a number of complainants said they were victims of multiple types of identity theft.

VIII.

SOUTH TEXAS: THE HEART OF THE NATIONAL EPIDEMIC

The dry scrubland of the Rio Grande Valley in South Texas has long been a battleground in the fight over illegal immigration. But in the last few years, a quieter, and related, war has broken out. It is a war over identities. The valley's population is predominantly Hispanic. In McAllen, Texas, which sits just across the Rio Grande from Reynosa, Mexico, the population is 80 percent Hispanic¹¹. Brownsville, 60 miles downriver, is 91 percent Hispanic¹². And in Laredo, 145 miles west, 94 percent of the citizens are Hispanic¹³.

Most immigrants pouring through South Texas do not linger long. The region has suffered economically for years, and poverty is widespread. One quarter of McAllen's population falls below the federal poverty threshold¹⁴, and 36 percent of Brownsville's population lives in poverty¹⁵.

South Texas may lack economic opportunity for Latino migrants heading north, but it does provide them with one crucial resource: Hispanic surnames belonging to legal American citizens.

"We definitely see a lot more Hispanic victims," said Lt. Mark Elbert of the Brownsville Police Department. "Identity theft and illegal immigration go hand in hand. Some other areas might have a big problem with drugs or robbery. I'm sitting here about a mile from the Mexican border as the crow flies, and I can tell you that identity theft is the top problem we have."

A few scattered cities have higher identity theft rates than South Texas. But complaint data from the FTC shows that as a region, South Texas has the worst identity theft problem in the country. Nationwide, 3.7 percent of the population is victimized by identity theft every year, the FTC estimates. Laredo, Texas, which has the twelfth-highest identity theft rate in the nation, reported 454 complaints to the federal government last year, or 196 victims per 100,000 people. If Laredo residents complain to the FTC at roughly the same rate as national average, 2.93 percent, it means that there were actually an estimated 15,500 identity theft victims in the city in 2007, or 6.6 percent of the entire population¹⁶. Because 60 percent of the complaints from Laredo involved employment fraud, this means an estimated 9,300 people had their stolen identities used by others to gain jobs.

The rate of identity theft and its connection to illegal immigration both increase as one travels downriver on the Rio Grande. The FTC received 1,563 complaints from the McAllen-Edinburg-Mission metropolitan area last year, or 223 victims per 100,000 people, making it the fifth-worst city in the nation for identity theft. But if 1,563 represents just under 3 percent of the actual number, it means that there were an estimated 53,300 identity theft victims in the metro area. This means that 7.5 percent of the area's population was hit by identity theft in 2007¹⁷, twice the national rate. With 67 percent of victims complaining of job fraud, an estimated 35,700 McAllen-area residents were directly affected by illegal immigration last year.

At the foot of the Rio Grande, Brownsville has the worst identity theft rate in Texas and the fourth-worst in the nation. Brownsville-Harlingen residents logged 876 identity theft complaints with the FTC last year, or 226 complaints per 100,000 residents. Using the

¹¹ <http://quickfacts.census.gov/qfd/states/48/4845384.html>

¹² <http://quickfacts.census.gov/qfd/states/48/4810768.html>

¹³ <http://quickfacts.census.gov/qfd/states/48/4841464.html>

¹⁴ <http://quickfacts.census.gov/qfd/states/48/4845384.html>

¹⁵ <http://quickfacts.census.gov/qfd/states/48/4810768.html>

¹⁶ based on 2006 population estimates available at: <http://www.census.gov/population/www/estimates/CBSA-est2007-annual.html>

¹⁷ *ibid*

national reporting rate, this means that a stunning 30,000 people were victims of identity theft in the Brownsville area in 2007, or 8 percent of the total population¹⁸. Of these, 69 percent – or an estimated 20,700 cases – were related to employment fraud.

From just these three small cities alone, an estimated 65,700 identities were stolen last year and used by people trying to find employment, most of whom were illegal immigrants, according to local law enforcement officials.

“There isn’t a day that goes by that we don’t receive an ID theft complaint,” Lt. Elbert said. “And we’re just a small substation focused on community service.”

By purchasing a citizen’s stolen driver’s license or Social Security card, illegal immigrants can go anywhere in the country to find employment. And they do. Police in South Texas say that it is uncommon to find the suspect of an identity theft investigation living in the Rio Grande Valley. The vast majority turn up states like Iowa, Michigan, Illinois and Arkansas, usually in smaller cities and towns where factory farms and meat processors commonly hire immigrants.

“It’s pretty rare for us to find an identity theft suspect living anywhere near here,” said Officer Nancy Pena of the McAllen Police Department.

Because the recipients of stolen IDs usually live far away, and because in most cases they use the identities to gain employment instead of opening credit accounts or running other scams, most victims only discover they’ve been scammed when they receive notices from the IRS informing them that they owe back income taxes. The error is easy to spot, because in most cases the victim has never lived in the state or worked for the company listed on the tax statement.

“It happens all the time – people come in here saying, ‘The IRS thinks I worked in Iowa for two years. I’ve never even been to Iowa,’” Lt. Rodriguez said.

This kind of identity theft hits especially hard in an economically depressed area like South Texas, where the refund check from the IRS often comes like a Christmas bonus. “A lot of people look forward to their tax returns every year because it’s the only money they get to save,” Officer Pena said. “Finding out that suddenly they owe money instead of getting money back means they can’t do the home renovations or go on a vacation like they had planned.”

In addition to their surnames, Hispanic citizens are more vulnerable to becoming victims because they often keep their identification cards with them, law enforcement officials say. Many carry their passports at all times because they cross the border regularly. Some mothers keep the Social Security cards of all their children in their purses in case they need to present them at school or a doctor’s office.

Many Latinos also carry identification to prove their citizenship because they fear being pulled over by police on suspicion of being in the country illegally. “People are worried that if they don’t have their IDs on them, they might get deported,” Officer Pena said.

¹⁸ Based on 2006 population estimates available at: <http://www.census.gov/population/www/estimates/CBSA-est2007-annual.html>

Stealing identities to sell to illegal immigrants is a relatively new crime, law enforcement officials in South Texas say. Just three years ago, the thought of such a crime had never crossed Lt. Elbert's mind. Today it is the largest single problem he faces. The ten investigators with the McAllen police department used to work all different kinds of cases. But in the last few years the department has been inundated by identity theft complaints. In January, McAllen Police Chief Victor Rodriguez assigned Officer Nancy Pena to work identity theft cases full-time.

Pena, Elbert and Rodriguez agree that because most of the suspects live out of state, there's little they can do for victims besides give them a police report and refer them to other agencies. But Pena hopes that by focusing exclusively on identity theft, she can develop relationships with federal prosecutors to bring more suspects to justice. "I'm still learning about the problem, honestly," Pena said.

Part of the problem seems to be that not all victims are unwitting. Though they have little evidence to prove it, police in South Texas believe that at least some of the people who complain that they've been victimized by identity theft actually sold their own identity cards out of financial desperation, said Lt. Rodriguez. Other times they loan out their identity card to a friend or relative in exchange for the tax refund money that the undocumented immigrant earns through working. If these deals go sour, or if the immigrant passes the ID onto other people, police theorize, the seller goes to the police to make a report.

"I think it's very coincidental that most of the people who report ID theft say that someone stole their wallet or their purse years ago," Rodriguez said. "If you lose something as important as your personal identification, wouldn't you report it at the time? How do you go for five years without a driver's license?"

Another reason why police find it difficult to bring cases against identity thieves in South Texas is that, unlike in other parts of the country, the criminals along the border do not appear to be particularly sophisticated or well organized. None of the police departments in the three major cities in the area have detected any rings of identity thieves specifically targeting the Latino population. Instead, identity theft has become just another way to profit from otherwise random property crimes such as burglaries, stolen wallets and purses.

"We don't see things that are that sophisticated here," said Lt. Rodriguez. "It's more crimes of opportunity like we've always had."

ADDENDUM

Everything, All the Time

As much as we try to quantify and evaluate different types of identity theft in Texas, outside of the border region it becomes difficult for people who deal with the problem every day to detect patterns amid the crush of cases. “The only trend I see is that there are more and more people doing it,” said Matthew Boyden, postal inspector in Houston. “They’re stealing identities and using them any way they can.”

Houston car dealerships are hotbeds of identity theft, Boyden and Manzo said. People are using stolen identities to buy cars, and dealership employees are mining customers’ credit applications for sensitive identity information. “I spoke with a very upset young man this morning who went to a dealership, bought a car, and then the salesman took his ID to a luxury car dealer down the street and bought an Acura,” Lt. Manzo said.

Using electronic skimmers to steal credit card information is a common problem across Texas, especially in restaurants, police say. Counterfeiters buy blank check stock at office supply stores to make fake checks on their home computers, sometimes using names pulled from the newspaper obituaries. Three years after Texas developed a new state driver’s license, identity thieves figured out how to make exact copies of it, said Major Rhonda Fleming, who heads the fraud investigative unit of the Texas Department of Public Safety.

“I have a driver’s license here that we confiscated recently, and it’s very difficult for even us as police officers to detect that it’s false,” Lt. Manzo said. “It has a hologram and everything.”

Unlike in other states, including Arizona, law enforcement officials in Texas say they see little evidence of a connection between identity theft and crystal methamphetamine use. That may be changing, however.

“We’re seeing drug use starting to bubble up in more identity theft cases,” Texas Attorney General Greg Abbott said. “It’s a growing concern.”

Though it’s not true everywhere in Texas, identity thieves in some cities are becoming more organized. “Before it was mostly individuals working on their own,” said Lt. Manzo. “Now we see more groups doing it. We’ve investigated at least half a dozen rings so far this year involving identity theft.”

But organized does not necessarily mean sophisticated. Many of the identity theft scams Texas police see are still remarkably simple. The problem lies not in figuring them out – it’s volume. “The techniques we see are all pretty obvious,” said Major Fleming. “Once you find the bunny trail, it’s pretty easy to follow.”

Sometimes, state employees are in on the game. In 2004, the Texas Department of Public Safety created a new investigative unit with 13 detectives specifically to track down identity theft rings, many of which involve the department’s own employees. Some workers issue fake driver’s licenses to their friends and relatives for free. In other cases, employees charge up to \$3,000 apiece. “If they do it once in a while, if they don’t get greedy, it’s pretty hard to catch them,” Maj. Fleming said.

With so much identity theft happening in so many different ways, Texas law enforcement officials say that there is only one trend that matters: They simply cannot keep up.

"I see local police forces just inundated because a lot of unsophisticated people are getting into identity theft," Inspector Boyden said. "Why rob banks? Regular crooks have learned they can sit at home and make money hand over fist with a lot less risk."

The Lone Star State Leads the Way

It's easy to become discouraged about identity theft. We know the crime is much more prevalent than current reporting practices indicate. People who fight identity thieves every day say the problem is only getting worse.

Which makes the leadership of Texas legislators and law enforcement officials all the more refreshing. Texas was one of the first states to follow California's lead by passing a law in 2003 allowing consumers to place freezes on their credit reports. A freeze prevents anyone from pulling a consumer's credit file, therefore preventing credit issuers, including retail stores and mortgage companies, from extending credit in most cases. The consumer must specifically allow a temporary "thaw" using a special PIN to allow the credit issuer to gain access to the credit file. But the Texas law went much further. It limits disclosure of Social Security numbers on websites and health insurance cards. It also allows prosecutors to file criminal charges against identity thieves in the county where the victim resides, instead of forcing the victim to travel to other cities or states to try and win justice.

The Texas legislature followed this achievement by passing the Identity Theft Enforcement and Protection Act in 2005, arguably the best statute of its kind in the country. The law requires businesses to protect consumers' personal information, and dispose of it in a way that minimizes the chance it will be stolen. It also gives the attorney general the power to seek \$50,000 in fines for each person wrongfully exposed to identity theft.

Other states have tough identity theft laws on the books. What makes Texas unique is the combination of a tough law and an enforcer dedicated to using it. Ever since the identity theft law took effect, Attorney General Greg Abbott has wielded it like a club, finding and charging businesses that dared to expose customers' records to theft. He has sued large and small companies alike, including national giants such as Life Time Fitness of Chanhassen, Minnesota, and Radio Shack. Many of the cases have involved companies accused of placing thousands of sensitive documents in dumpsters without shredding them. In most cases, Abbott's office has won settlements for hundreds of thousands of dollars each.

Abbott's most recent victory was also one of his largest. In April 2007, the attorney general sued CVS pharmacies after investigators discovered that employees of a CVS in Liberty, outside of Houston, had thrown sensitive identity documents into the dumpster behind the store. The records contained the names, credit card numbers and card expiration dates of hundreds of consumers, as well as a number of medical prescription forms that showed patients' names, dates of birth, addresses, insurance companies and prescription medications. Failure to redact or otherwise protect the information before disposing of it violated the Texas 2005 identity theft law, as well as the state's Business and Commerce Code, which tacked on an additional \$500 possible fine per violation.

In March 2008, the attorney general announced that CVS had agreed to settle the lawsuit by paying a fine of \$315,000, which Abbott said would be used to fund future investigations of identity theft violations. The chain will be required to improve its employee training procedures to teach new hires about the importance of properly discarding personal data.

In addition to cracking down on entities that carelessly dispose of sensitive documents, Abbott has also attempted to speed the process of removing driver's license and Social Security numbers from county court records. The concern is obvious, since public records such as property deeds and divorce filings have for years included Social Security numbers and other private information. The number of records at stake in Texas soars into the billions. Collin County is a rapidly suburbanizing area on the northern edge of Dallas with a population of 698,851. Just by itself, the county has 90 million images that must be scanned for sensitive information, said Brenda Cavender, land administrator at the Collin County Clerk office in McKinney, Texas. "We're in the process of getting all of this done, and most other clerks are doing the same," Cavender said.

In February 2007, Abbott ordered clerks across the state to remove these personal identifiers from their online and paper databases or face jail time. The clerks balked, saying that the order did not give them enough time to comply. "It was chaos," Cavender said. A compromise was reached. Abbott revoked his order, and the legislature passed a bill protecting clerks from criminal prosecution while requiring them to redact all but the last four digits of citizens' Social Security numbers. (Since there was no deadline set, nor penalties created, however, this is an especially weak requirement.)

A bill that includes tougher privacy restrictions and gives clerks more time to implement them is currently being crafted by organizations including the District and County Clerk Association of Texas, the Texas Municipal League, the Texas Conference of Urban Counties and the Texas Land Title Association, said Trent Thomas, the legislative aide to Texas lawmaker Jim Keffer, who introduced last year's compromise resolution. "I suspect we'll have something on this by the time the legislative session begins in January, 2009," Keffer said.

Abbott also conducted a tour called "Just Shred It!" in which he traveled with a giant shredder truck to events around the state, encouraging people to shred their sensitive documents. Recently Abbott's office created a website, <http://www.texasfightsidtheft.gov>, to raise awareness of the problem and distribute a comprehensive, 45-page guide to help victims restore their credit.

Abbott's high-profile crusade has helped raise awareness of identity theft law enforcement agencies across the state. When Officer Cassandra Smith of the Levelland, Texas, Police Department witnessed people climbing out of a dumpster behind a medical office building, she investigated and found that the Select Medical Corp. of Mechanicsburg, Pennsylvania, had dumped thousands of patients' records without shredding them, including Social Security numbers. The department referred the incident to Abbott's office, which sued the company.

Levelland police knew to refer the case to Abbott because of all the publicity the attorney general's identity theft campaign has received, said Tom McCain, Levelland's assistant police

chief. The case also attracted police attention because a local sheriff's office secretary and a justice of the peace were among the thousands of people included in Select Medical Corp.'s dumped paperwork.

"Five years ago we wouldn't have paid much attention to something like that," McCain said. "Now we classify it as identity theft, and we see it as a more serious crime."

Across Texas, and especially on the border, police departments are assigning detectives to work identity theft cases as a full-time beat. Said Brownsville's Lt. Elbert, who now spends most of his time handling identity theft complaints, "I see the government starting to take notice."

Conclusion

The identity theft problem in Texas can seem overwhelming. Almost 5 million victims in just the last six years. Just over 19 million hours wasted by victims trying to fix their credit. Almost \$2.4 billion sucked from the economy. Local law enforcement leaders largely concur with Federal Trade Commission reports that the state's once-rapid growth in the number of stolen identities has leveled off in recent years. But that's little comfort to the nearly 1 million Texans who will become victims in 2008.

Texas benefits from some of the toughest identity theft laws and strictest enforcement in the U.S. But the attorney general cannot do everything. As he focuses his efforts on busting companies that illegally leave Social Security numbers in dumpsters, other problems, especially the sale of stolen identities to illegal immigrants, continue almost unabated.

"We know we can't prosecute our way out of this," Abbott concedes. "We have to educate people about how to protect themselves."

Part of the problem, however, is that even experts can't fully understand identity theft, because we have no accurate way to track the problem. Police in some Texas cities including Houston and McAllen do better than most departments around the country – they at least are starting to keep rough tallies for the total number of identity theft crimes reported every year, the bare minimum information we need to determine whether we are winning or losing the fight. But these numbers are not detailed enough to tell us the true nature of the crime – whether bank account hijackings are on the rise, for example, or whether counterfeit checks are actually the main problem we face. And since there is no requirement for police to file identity theft information to the FBI's Uniform Crime Report, most departments don't bother to collect even these most rudimentary statistics.

And so identity thieves continue damaging the lives of hundreds of thousands of Texans every year. "One case of identity theft leaves people financially and economically devastated, and it takes them years to recover," said Major Fleming of the Texas Department of Public Safety.

Unlike other serious crimes, we have no system to track identity theft. Which leaves us always two steps behind the criminals.

Our response is to create reports like this one, in which we attempt to match federal complaint and survey data with the anecdotal observations of law enforcement personnel who work identity theft crimes every day. It is the best we can do. But we can do far better.

It is our hope that the Texas legislature and the state attorney general will again take a national leadership role by requiring all agencies in the state that investigate identity theft complaints to send their data to a central database, possibly maintained by the Texas Department of Public Safety. This data should be compiled and printed in an annual report, which can be distributed to police around the state. This simple step would give law enforcement leaders the information they need to combat this constantly changing problem using their limited resources.

Everyone agrees that far more than 25,797 Texans were victimized by identity theft last year. The true amount is closer to 1 million. Perhaps this staggering number will give Texans the impetus they need to continue pioneering new ways to fight identity theft. By becoming the first state to create an effective identity theft reporting system, Texas can continue its Lone Star tradition of leadership by example, and become a model for the rest of the nation in the fight against identity theft.