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For Victims, Repairing ID Theft Can Be Grueling

By TOM ZELLER Jr.

Paul Fairchild, a 34-year-old Web developer in Edmond, Okla., has never spent \$500 on fine tobacco. He has never slaked a shoe fetish with \$1,500 charges at Manolo Blahnik and Neiman Marcus, nor has he ever bought diamonds online, furs in SoHo, or anything at e-Luxury.com. He has never owned an apartment building in Brooklyn, and he has never peddled flesh.

Over the last two years, however, his credit report has suggested otherwise.

In retelling his ordeal with identity theft, Mr. Fairchild has developed the acid sarcasm and droll nonchalance of a standup comic - a defense mechanism, his wife, Rachel, says, that belies two years of hell.

"Once this happens, you can't believe how deep the rabbit hole goes," Mr. Fairchild said.

Indeed, in a year of prominent cases of stolen or lost consumer information - from the hacking of university computers and the disappearance of backup tapes at Citigroup, to fraudulent downloads from the databases of companies like ChoicePoint and LexisNexis - the rabbit hole seems to be getting deeper.

About 10 million Americans fall victim each year to identity theft, according to the Federal Trade Commission. And in about a third of those cases, victims see far more than their existing credit card accounts tapped. Their private information is used by thieves to open new accounts, secure loans and otherwise lead parallel and often luxurious lives.

For victims like Mr. Fairchild - and two others who recounted their troubles and shared their sometimes vast paper trails - it can be an unnerving, protracted whodunit, with collection agents demanding payment for cars they have never driven, credit card accounts they never opened, loans they never obtained, and myriad other debts accrued by shadowy versions of themselves.

Prosecutions are rare, and police investigations - when they do happen - are time-consuming, costly and easily stymied. A 2003 study by the Gartner Inc. consulting firm suggested that an identity thief had about a 1 in 700 chance of getting caught.

"It's a crime in which you can get a lot of money, and have a very low probability of ever getting caught," Mari J. Frank, a lawyer and author of several books on identity theft, said in an interview. "Criminals are now saying, Why am I using a gun?"

Just how many of the millions of new cases each year stem from the widely reported cracks in the nation's electronic data troves is impossible to know. A study indicated that the most frequently reported source of stolen

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Exhibit #7

knew how it happened, was decidedly low-tech: a lost or stolen wallet or checkbook. And some experts have suggested that consumers are much more likely to fall victim to a rogue employee - at a doctor's office, say, or a collection agency - than to a gang of hackers infiltrating a database.

But however their information is obtained, victims are still left with the unsettling realization that the keys to their inner lives as consumers, as taxpayers, as patients, as drivers and as homeowners have been picked from their pockets and distributed among thieves.

"Once it happens, you can never be certain that it won't happen again," said Beth Givens, the director of the Privacy Rights Clearinghouse, a consumer advocacy group. "You can never let your guard down."

Mr. Fairchild, Kenneth Wasserman and Toshka Cargill - each from different parts of the country and from varying economic backgrounds - know precisely what Ms. Givens means. Their experiences with identity theft follow.

Grand Theft Identity

It was at his sister's wedding in Portland, Ore., in the summer of 2003 that Mr. Fairchild first received a hint that something was wrong. His American Express card was declined at a tuxedo rental shop, and when he called the card company, a customer service agent told him why: he was delinquent, she said, on the corporate cards issued to his business, Ebony Passion Escort Service, in Brooklyn.

"I remember her telling me I was the 'sole proprietor,' " Mr. Fairchild recalled in an interview at the rented ranch-style house outside Oklahoma City where he and his wife now live with their two children, Cole, 4, and 9-month-old Mikayla. "I had this woman on the phone telling me that I was not only a deadbeat, but a pimp, too."

The Fairchilds had lived in Brooklyn in the early 1990's, but at the time of the Amex incident, they had been living in Santa Monica, Calif., for nearly eight years.

After returning from the wedding, Mr. Fairchild called the major consumer reporting agencies - Experian, Equifax and TransUnion - requesting that they send him copies of his credit report and place fraud alerts on his account. When the report from Experian came a few days later, the couple were stunned.

In all, they estimate there were about \$500,000 in bogus debts attached to Mr. Fairchild's name - including several thousand dollars in unpaid or partly paid cellphone and credit card accounts, rental cars that were never returned, store accounts with jewelry wholesalers, and a delinquent \$315,000 mortgage for a small apartment building at 8 Stuyvesant Avenue in Brooklyn.

"It's the same way you feel after you come home from vacation and find your house has been burglarized," Mr. Fairchild said.

He filed a report with the Santa Monica police, began calling the companies listing debts he did not recognize - American Express, Citibank, Jewelry Express - and prepared notarized affidavits for each company, attesting that he had not opened these accounts. He sent them copies of the police report.

"For the first four months, there's no doubt in my mind that I dedicated 40 hours a week to this," Mr.

Fairchild said, reflecting the blunt reality that victims must painstakingly prove - often to disbelieving creditors - that debts are not their own.

Meanwhile, because his credit rating had been severely damaged, the interest rates on some of Mr. Fairchild's legitimate cards began climbing, while the credit limits he had been extended on his cards suddenly began to drop - even though his payments were on time.

"It seemed so unbelievably unfair," Mrs. Fairchild said, recalling one charge on the Amex account belonging to Ebony Passion Escort Service - \$750 at Manolo Blahnik shoes. A pair of dress shoes she had bought for her son at about the same time, for the wedding in Portland, had cost \$12 at Payless, and given the family's budget at the time, she had considered returning them.

"I think it just infuriated me that someone else was living this life, under this name, and having those kinds of insane luxury items, while we could barely afford shoes for our kid," she said.

After two years, hundreds of phone calls and reams of paperwork, the couple have managed to clear most of the debts from Mr. Fairchild's name - although new ones still crop up. Two weeks ago, SBC Communications called, asking Mr. Fairchild why he had not paid his bill for two phone numbers in Wisconsin.

Untangling themselves from the building mortgage - for which Mr. Fairchild was at one point sued by Wells Fargo Bank, one of many institutions that had bought and sold the debt - required the help of a lawyer. And Mr. Fairchild said that repeated attempts to follow up on his case with the Santa Monica police have been unsuccessful.

A Santa Monica police spokesman said in an e-mail message that the department would not discuss the matter publicly.

After inquiries from The New York Times in August, the New York State Banking Department requested copies of the original mortgage application from U.S.A. Mortgage Bankers of America of Long Island, which issued the loan in 2002. Those documents revealed that the applicant had provided a Social Security number and a New York State driver's license in securing the loan.

The Social Security number was Mr. Fairchild's. So, too, were the birth date and the physical description on the phony ID. The photograph, however, was not.

To date, the real proprietor of Ebony Passion Escort Service remains a mystery, but a former employee, Kymberlea Durant, who said she worked there as a dispatcher, was found in Brooklyn. She said that at some point in mid-2003, the man who ran Ebony Passion - who bragged of owning buildings, and who gave her a credit card so she could buy, among other things, Manolo Blahnik shoes for the escorts - simply disappeared.

"He owes me two weeks' pay," Ms. Durant said.

Schemes Old and New

Dr. Kenneth Wasserman, a clinical assistant professor of dermatology at Drexel University and the chairman of the skin-cancer screening program for Major League Baseball, considers himself a conscientious consumer. He never shops on the Web, keeps his Social Security card at home, and

refuses to use online banking.

"It's my belief that for every system set up to prevent fraud, there's going to be a system created by some smart person to bring it down," he said during an interview in his South Philadelphia office, where he recalled the afternoon of Thursday, April 21.

He was driving to meet a friend for a Phillies game that day when his accountant called his cellphone with some curious news. The electronic tax return they had filed - the first time they had used electronic filing - had bounced back from the Internal Revenue Service. The message was: already filed.

"I was thinking identity theft," Dr. Wasserman said. "I did also think back to my wallet."

Dr. Wasserman said he had lost his wallet about a year and a half ago. He got it back the next day, and everything was still there, but he said it had been rifled through.

Calls to the I.R.S. quickly revealed that someone had used Dr. Wasserman's name and Social Security number - and an address in Atlanta - to prepare a phony electronic tax claim, seeking a refund of nearly \$7,000. The I.R.S., however, had flagged the bogus claim immediately, noting, among other anomalies, that it had been filed for "Kenneth Wasserman" as an individual, even though Dr. Wasserman has filed jointly with his wife, Anais, for over 15 years.

The agency did not issue a refund to the impostor, and advised Dr. Wasserman to refile a paper claim and send it by registered mail.

"So we were like 'Wow, the I.R.S. caught it, they didn't give a refund. We're O.K.,' " Dr. Wasserman said. "In my mind, I thought, 'I hope it's fine, but I'm not sure.' "

On a Saturday in early June, Dr. Wasserman's lingering worries were validated when he received a bill from HSBC Taxpayer Financial Services. He owed \$6,407.98 for a "refund anticipation loan" - a short-term, high-interest loan issued to a taxpayer against an expected tax refund. The bill included a \$95 late charge.

Neither HSBC, which immediately ceased attempts to collect the debt after Dr. Wasserman called, nor the I.R.S. were willing to discuss the particulars of Dr. Wasserman's case, citing privacy restrictions.

But it is clear, based on general conversations with the bank and the tax agency, as well as on documentation Dr. Wasserman received from HSBC, that his name and Social Security number were among many used in an increasingly common scheme that takes advantage of the refund anticipation loans that many tax preparers now offer.

An independent tax preparer in Atlanta, operating under the name H&L Tax Service, had registered with HSBC's Taxpayer Financial Services division as a loan facilitator - a designation that an HSBC spokesman, James E. Pieper, said required background checks and other safeguards.

"It is rare that anything like this would happen," Mr. Pieper said.

Using stolen names and Social Security numbers, including Dr. Wasserman's, the thief created phony tax returns and sent them through the I.R.S. electronic filing system. To do that, the fraud artist would

have also had to gain status as an Electronic Return Originator, for which the I.R.S. requires its own set of background checks.

With the electronic returns filed - ostensibly in the names of real taxpayers - the tax preparer was able to generate loans through HSBC, with funds placed on a sort of debit card. In repeated withdrawals of \$402 each on March 20 and 21, the loan associated with Dr. Wasserman's name was drained from two automated teller machines in the Philadelphia area.

It was by no means an original scheme.

In April, the Justice Department announced the arrest of two people- Rae Beavers of St. Louis and Joseph Milligan of New York - who are charged with numerous fraud counts, including 13 counts each of filing fraudulent tax claims and 13 counts of identity theft. The scheme, according to the indictment, involved stealing the names and Social Security numbers of elderly patients at an eye-care center where they both worked. According to the indictment, the information was then sent to a third conspirator, Terrence Edwards of Brooklyn, who filed the fraudulent claims and generated refund anticipation loans.

Mr. Edwards was sentenced in August 2004 to 30 months in federal prison.

Mark E. Matthews, the deputy commissioner for services and enforcement at the I.R.S. and the former head of the agency's Criminal Investigative Division, said the I.R.S. had counted about 8,000 instances this year of the information of legitimate taxpayers being used by impostors trying to defraud the tax system. He also said the agency was beefing up its oversight of professional tax preparers.

The Last Word

When she's not working long hours at a local bank branch, Toshka Cargill, 47, is the sole person providing care to her 86-year-old mother, who suffered a stroke last year. They live together on the South Side of Chicago, in a modest, tidy home where the mantle is lined with family photographs and angel statuettes keep vigil.

Ms. Cargill does not own a computer. She does not have a cellphone.

But by the end of January, she found herself deeply in debt to Sprint PCS and delinquent on car payments for a \$23,000 Pontiac Grand Am that the bank said she purchased in August of last year.

"I felt like I was going to cry," said Ms. Cargill - not least because she had spent years taking the bus to work, paying her bills on time and trying to build up her credit, so that she could buy the car that she does own. "I couldn't believe it."

A bulging file of paperwork and correspondence - most of it handwritten - now bears testament to her determined effort to set things right.

She called the Federal Trade Commission for advice.

She also filed a police report, which landed, in early March, on the desk of Cindy Serafini, a nearly 20-year veteran of the force and one of about 20 detectives assigned to cases of identity theft in Chicago.

Ms. Cargill herself demanded title documents from New Rogers Pontiac on South Michigan Avenue, which sold the car to the fraudster. Those revealed photocopies of a driver's license with Ms. Cargill's name, but a different picture.

Detective Serafini, meanwhile, used a reverse directory to get names associated with the phone numbers listed on the bills Ms. Cargill had received from Sprint. She then crossed those names with a database of arrests. One name, with at least three previous arrests for identity theft, jumped out - and the mug shot matched the picture on the fake driver's license.

On Aug. 10, Tabitha Nash, 39, pleaded guilty to two charges: possession of a stolen vehicle and financial identity theft. She was sentenced to four years for each, to be served concurrently.

The judge asked Ms. Nash if she had anything to say.

"I'm sorry," she replied.

When the judge said she should tell that to the victims, Ms. Nash replied that she was sorry she had hurt them and sorry, too, that she would be leaving her children behind as she went to prison.

"This is stupid," she said.

According to Detective Serafini, Ms. Nash had said that she got Ms. Cargill's personal information from a rogue salesman at Rogers Pontiac. When the police inquired with the owners, the detective said, they were told that the salesman had been fired for "questionable sales practices."

With Ms. Nash behind bars - and with roughly 800 identity-theft cases expected to cross her desk in the next year - Detective Serafini said she considered the case closed.

And yet in August, as Ms. Nash was being processed at the Dwight Correctional Center in central Illinois, a man with a tow truck arrived at Ms. Cargill's home seeking to repossess the Pontiac. Ms. Cargill pressed her handwritten affidavit, stating that she had never had the car in the first place, against the glass until he went away.

Ms. Cargill did not get a chance to face Ms. Nash in the courtroom, but she read her victim's impact statement to a reporter from her living room sofa, her voice rising with indignation.

"For years, I had to walk and catch the bus before I was able - O.K.? - able, to buy a car," she said. "Not before then."

"If you can't afford something, then you don't get it," she continued. "You don't buy it and you don't steal it. And you damn sure don't steal someone's identity to get it either."

David Bernstein contributed reporting from Chicago for this article.