

The New Victims of Identity Theft: Children

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The United States Congress has defined identity theft as an offense where one: “knowingly transfers or uses, without lawful authority, a means of identification of another person with the intent to commit, or to aid or abet, any unlawful activity that constitutes a violation of Federal law, or that constitutes a felony under any applicable State or local law” (Federal Trade Commission, 2008b). Identity theft is a crime that violates the personal and financial foundation on which every person depends. Victims of identity theft they feel violated, robbed of the life they once knew along with feelings of shock, sadness and fear. They spend copious amounts of time fixing their credit history and reestablishing trust with agencies where they wish to do business. The carryover effect of this crime has the ability to permeate many facets of a victim’s life (both personal and professional). In the recently released “2010 Identity Fraud Survey report” from Javelin Strategy and Research (2010), identity theft is estimated to be a \$54 billion per year crime.

Identity theft is not a new crime. People have been imitating others for their own personal gain for as long as there is recorded history. Only recently has the crime of identity theft taken on new subversive vigor occurring with greater frequency and with a greater degree of viciousness showing no regard for financial position impacting rich and poor without discrimination. During a time of faster easily accessible technology and high information demand, the crime of identity theft has become a crime easy to commit with reduced fear of getting caught or getting prosecuted. Identity thieves are able to obtain the personal information of others to establish credit card accounts, purchase cars and homes, even to serve jail time and get away with the

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crime. The soaring number of reported cases of identity theft has placed law enforcement agencies on overload so many that agency resources must be allocated to pursue only the most egregious of cases. Prosecution is slow, meaning that getting away with the crime is most often the normal result of ruining someone's identity.

Identity theft is the action of using another person's personal information such as their social security number, name, address, phone number, driver's license number or any other identifying information to impersonate them without their consent. The information can then be used by the identity thief to obtain credit, merchandise or services or provide false identification to a law enforcement official. The Javelin Strategy & Research Center has been researching and reporting on identity theft since 2004 and in the 2010 report (Javelin, 2010), indicated that identity theft is on the rise with almost 11 million victims in 2009 (up from 10 million in 2008).

Identity Theft's New Victim: Children

While much has been written about identity theft and accounting professionals are often able to address the primary issues, it is not well-known that people under the age of 16 have become the prime resource for identity thieves. Children have clean financial and criminal histories. Since creditors prefer doing business with people who have immaculate histories it makes using a child's information for a various number of purposes very tempting and undetectable. The use of a child's information is made even more appealing because many creditors do not verify the age of applicants and the child would not find out that their identity had been compromised for many years. A 2007 study by Javelin Strategy and Research (2008) estimated that more than one million children had their information exposed in data breaches. Further, the Federal Trade Commission estimates that 5% of all identity theft cases target children and the Identity Theft Resource Center discovered that in over half of these cases, the

child victim was under the age of six (Ahearn, 2009).

Child identity theft is not dissimilar from adult identity theft. The information of a child is used as a means to lie to someone for the thief's personal gain. Perpetrators can live the high life using the child's information to rack up large amounts of debt. For example, Shiloh Puckett, from Dallas Texas, was 10 years old when she discovered she had been a victim of identity theft (Shamlan, 2005). Over a period of five years her offender used her social security number, name, address, and clean credit history to deceive credit card companies. The perpetrator obtained seventeen credit cards in her name and accumulated thousands of dollars in credit card debt. She was even approved for a \$42,000 dollar loan at 10 years old. The culprit of this was her none other than her own mother, Cindy Puckett. She was charged with identity theft and given six months in jail. She stated that she used her daughter's identity as a means of necessity to cover her out of control expenses, and she didn't know she was causing any harm to her child.

It is also possible for the identity thief to use a child's identity to obtain a business license in the child's name (this is known as commercial identity theft). The offender will proceed to take out loans for the business from unsuspecting banks in order to generate debt and equity for the business. Therefore a child could be the owner of a corporation that employs dozens of people and has contracts all over the country before they are able to drive a car.

There have been reported cases of perpetrators taking advantage of government programs to obtain the financial benefits associated with them (this is known as governmental identity theft). For example, the identity thief can file income tax returns in the names of children and pocket the refunds distributed by the government or falsely apply for welfare or foster care program benefits. In Florida, the leader of a Girl Scout troop used the personal information of the children to create false medical forms (Gibbs, 2008). She then applied those false medical bills to

income tax returns and received over \$87,000 in government income tax refunds distributed to five different bank accounts.

Another type of identity theft that often involves children is called cloning. Perpetrators are able to use the child's identity to live a completely separate life for a very long period of time before discovery, and using the child's unused credit history is made more tempting because they can separate themselves from their past life and live a life without any problems from creditors, banks, and even the law. In March of 2009 the Federal Bureau of Investigation brought down such an identity theft operation. The thieves broke into numerous schools in Puerto Rico and stole the social security numbers and birth certificates of over 7,000 students in the area (Associated Press, 2009). The FBI stated that the perpetrators were selling the identities to immigrants that were entering the United States illegally to start a new life.

Why Children?

The main question is why did children become the preferred targeted victims of identity theft in the first place? Historically establishing identities was something one did after graduating high school and began their adult lives. Before age eighteen the only records for a child's identity were typically their birth certificate and report cards from school. For many years, a Social Security number would not be issued until a child became of age. But the Enumeration at Birth program in 1989 changed that as many parents fill out the necessary information at the hospital where their child is born. Parents who want to claim their child and receive a tax deduction are required to have a Social Security number for a child older than 1. An unintended consequence of this, however, is that identity thieves now have a new set of victims to prey on.

The social security number of a child will not be used by the child until they reach an age where they can be employed or begin transacting business with an entity, such as receiving a

loan from a bank. Typically, children do not use their social security number for any personal financial purpose until they start working, which for many is the age of 16 or until they legally become an adult at the age of 18 or 19 or when they must file their own tax returns. Until such time their social security number is supposed to be unused by anyone except for parents when they claim their child on their income taxes. This concept, plus the fact that a child's credit and criminal record are untouched, makes the use of a child's identity for any sort of illicit activity very tempting for perpetrators. This means that the child will most likely not discover that their social security number has been compromised for close to 16 years.

Who would do this to a child? Parents, brothers, sisters, uncles, aunts, grandparents, other relatives, insurance agents, doctors, government employees, corporations, criminals, illegal aliens, basically anyone who has access to the child's information can take advantage of them for whatever reason. Parents and guardians are far more likely to use their child's identity to commit fraud than all of the other possible perpetrators combined (Mohney, 2007). They have direct access to their child's social security information and they are able to keep the child from learning of their use of it for a long time (the opportunity component of the fraud triangle). When some parents fall on hard times (the pressure component of the fraud triangle) they will justify using their child's identity by saying they are "borrowing" it to pay for bills, open credit cards, take out loans or any number of things until they can get things straightened out with their own credit (the rationalization component of the fraud triangle). However, many parents fall into a never ending cycle of using their child's information and they end up destroying their child's credit in the process.

In one of the most comprehensive studies ever done in the area of identity theft (lead by principal researcher and Saint Xavier Professor William Kresse), it was reported that in over

60% of the cases, the victim's identity was stolen by a friend, relative or person otherwise known to the victim (Institute for Fraud Prevention, n.d.). Thus, it is not surprising that many individuals are in a position to make a child a victim of identity theft. Whether the perpetrator is known or not known by the victim, they all use a child's identity for the same purposes as using an adult's identity. These identity thieves recognize the advantage to them of using a child's identity - the grace period of non-detection and an unblemished credit and criminal history.

It should be noted that researchers at Carnegie Mellon University claim to have been able to successfully predict (post-1988) an individual's Social Security number (Acquisti & Gross, 2007). However, the Social Security Administration is aware of this research and a spokesman for the agency has stated, "The public should not be alarmed by this report because there is no foolproof method for predicting a person's Social Security number. The method by which Social Security assigns numbers has been a matter of public record for years. The suggestion that Mr. Acquisti has cracked a code for predicting an SSN is a dramatic exaggeration" (Markoff, 2009, para. 13). Regardless of how one obtains the Social Security number for a child, the ability to misuse this information exists and can be used for one's personal gain.

The "grace period" between the act of stealing the child's identity and detection by the child directly correlates to lack of attention brought to the issue of child identity theft. It is only in the last several years that the number of reported cases of child identity theft has increased. The Federal Trade Commission stated that their number of reported cases of identity theft for those under the age of 18 more than doubled between 2002 and 2005 (Federal Trade Commission, 2008a). The increased number in reported cases of child identity theft suggests that the first of the children who received social security numbers in the late 1980's and early 1990's

have reached the age when they need to use their social security number and they are discovering that their identity has been stolen.

Once a child discovers that they have been the victim of identity theft, be it when they are an adult or still a child, they experience effects that are both financial and psychological. As adults, victims of identity theft have higher insurance rates, higher credit rates, difficulties repairing and getting rid of the negative information on their credit history, obtaining loans, and finding a job. The psychological effects for victims of child identity theft are more conflicting. For children, they have a difficult time fully understanding what has happened to them and they do not comprehend how this will affect their future. As for adults who learn that they were victims of identity theft as a child they experience the same shock, sadness and fear that most other victims of crime experience. However, for victims who discover that the perpetrator was their own parent the difficulties are compounded by the internal, psychological battle they must manage. The child has a real internal conflict deciding wither or not to turn their parent over to the police (which is what they are advised to do), but the normal ending is that the child keeps quiet about the problem and their parent get away with the crime.

What does the public need to know?

Parents should take the following precautionary measures recommended by the Identity Theft Resource Center (ITRC) to protect their child's identity:

- Ask questions. Ask questions of those who are requesting your child's information. What is their information being used for? Will the information be secure? Is it really necessary for them to have that information?

- Do not carry your child's information, such as social security card, health insurance cards, and birth certificate, around in your wallet or purse with you. Instead put the information in a safe in your home.
- Destroy all documents that have sensitive information about the child before discarding it in the garbage. (Identity Theft Resource Center, 2009)

In addition to these, other sources recommend that you take precautions to protect your children by:

- Securing their identities using company services that provide constant monitoring and alert services for anything suspicious regarding your child's credit activity and reporting.
- Request credit reports on your child every year to monitor their credit activity. There should be no activity on your child's credit history, if there is, immediately put an alert on your child's information to prevent any further activity.
- Protect your computers by putting in place security software, and monitor your child's computer activity to make sure that your child is not giving out their personal information on the internet.
- If you begin to receive credit card offers in the mail for your child, this is an indication that your child's information is in circulation and being used in some form. Immediately contact one of the three major credit reporting agencies and request to know what activity has been happening on your child's credit.

If your child's identity is stolen the best resource available for advice about fixing any damage is the Identity Theft Resource Center. They are the premier resource for many national organizations and agencies around the country for advice and statistics on all issues related to identity theft. They have been the front runners in the awareness effort to the public concerning

this growing problem. Their website provides the public with education on the various forms of identity theft with statistics, news and advice on how they may prevent and detect identity theft. The Identity Theft Resource Center also provides advice on how to contact necessary entities to fix the credit and an identity problem if a person becomes a victim. There is extensive research on the topic of Child Identity Theft with several recommendations on how to fix your child's identity, should it become compromised. The three main things that a person can do if their child's identity has been stolen are:

1. File a police report. Notify the local police of the theft; even if they are not able to help you they will be able to maintain a record of the crime and if a string of similar crimes come to light they will include your child's in their investigation.
2. Notify the one of the three major credit reporting agencies and work with them to clear up your child's credit and financial problem.
3. Apply for a new social security number for your child. This is a last resort measure and it is very difficult to obtain a new social security number for your child but it will provide your child with a fresh start and a clean history.

The Identity Theft Resource Center has been making strides to educate the public about child identity theft. They are working with lawmakers to make available to repositories a cross-reference listing of birth certificates and social security numbers. This list would be classified information and only available as a means of verifying the age a person when a social security number is provided. Other organizations and law enforcement agencies are beginning to be alerted to the growing problem of child identity theft. The FTC is hosting a nation-wide education program for young people to make them aware of the growing problem of identity theft and how they may protect themselves from becoming a victim.

Conclusion

Identity theft is a growing problem for this time of faster easily accessible technology and higher demand for information, but it is now a crime that is afflicting our society's younger generation. Our children have become the new victims of an age old crime and it is leaving them with a destroyed future. Perpetrators are using their information for the same identity theft reasons as adult identities with the value-added benefit of being clean and unblemished for many years. Financial, criminal, medical, cloning, governmental and commercial identity theft each benefit the perpetrator and the lack of any real threat of prosecution both from the relative victim or law enforcement provide a ripe environment for this problem to grow to epidemic proportions. There is a 16 year grace period between use and discovery, and children have immaculate credit and no criminal history. It is up to the public now to educate our children on an additional risk to their livelihood. Children must be made aware of what they are up against and parents must know and care that their child's information is at risk.

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