

September 11, 2006

Ms. Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Comments on Red Flags Rule

Ms. Rupp:

We appreciate the opportunity to provide our comments regarding NCUA's proposed rules implementing 12 CFR Part 717.

We understand NCUA and the other financial institution regulatory agencies are required to establish regulations to implement the requirements of the FACT Act. However, the financial institution industry is one of the most heavily regulated in our country. We question the need to require another "written program" that so closely follows requirements of other regulations. For instance, the USA Patriot Act required the establishment of a customer identification program which addresses many of the characteristics of this proposed rule. Further, prior to the passage of the FACT Act, the Fair Credit Reporting Act already required creditors to investigate disputed credit bureau information and correct any erroneous information. Regulatory concerns and sound business practices necessitate that credit unions, as well as other financial institutions, take a careful approach in verifying the identity of individuals with which they contemplate establishing a relationship and in continuing to verify the identity of individuals throughout the financial relationship.

Unfortunately, protection and assistance for consumers who are victims of identity theft or attempted identity theft are minimal. Generally, law enforcement refuses to pursue an investigation unless substantial losses are incurred. Even when law enforcement agrees to investigate, the perpetrators of these actions rarely face meaningful, if any, punishment so there is little deterrence to attempting or performing these types of crimes. After making the victim whole and updating any credit bureau reporting, institutions either file a claim with their insurance or simply write off the loss.

September 11, 2006  
Ms. Mary Rupp, Secretary of the Board  
National Credit Union Administration  
Page 2

We do not believe that adoption of these rules will have a meaningful impact on the occurrence of identity theft since many of the proposed items are already practiced by financial institutions. Instead, focus should be placed on providing law enforcement with additional resources to combat these crimes through more meaningful criminal penalties and, if necessary, additional personnel to handle increased workloads.

However, if the proposed rules are implemented much as written, we would ask that 17.82(d)(1)(iii) be clarified to indicate that updating of the address is required only if the user regularly and in the ordinary course of business furnishes information to the consumer reporting agency *about the type of relationship established*. As an example, many institutions obtain a credit report before establishing a deposit account relationship but the current business environment does not support the reporting of a deposit relationship to the credit bureau; thus, there is not a process to facilitate this requirement. The time and effort needed to develop and complete a process to facilitate this requirement would not serve a meaningful purpose since the consumer will likely provide their creditors with an accurate address which will be included in regular reporting of information to the bureaus.

Sincerely,

A handwritten signature in cursive script that reads "Alan Pughes".

Alan Pughes  
President and CEO  
Community One Federal Credit Union