

American Airlines Federal Credit Union

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September 18, 2006

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

SEP19'06 PM12:58 BOARD

RE: Comments on Proposed Rule 717 - Identity Theft Red Flags

Dear Ms. Rupp:

I am writing on behalf of American Airlines Federal Credit Union (AA Credit Union). AA Credit Union has over \$4 billion in assets, is the ninth largest credit union in the United States and has over 205,000 members located throughout the United States. I am writing in response to the request for public comment regarding the proposed rulemaking for the implementation of identity theft red flag regulations and guidelines (Proposal) issued jointly by the National Credit Union Administration (NCUA) and other agencies under the Fair and Accurate Credit Transactions Act of 2003 (Fact Act).

Red Flag Regulations

AA Credit Union commends the approach taken by the NCUA and the other agencies that each credit union implement a written risk based Identity Theft Prevention Program (Program) based on its size, complexity and scope of activities. We believe that a risk based approach will be beneficial to AA Credit Union and our members.

Oversight of a service provider

Under the Proposal, a credit union relying on a third party to detect identity theft must independently assess whether the third party is in compliance with the rules. We believe that this may have an adverse affect for many institutions as the cost to verify the compliance of a service provider would be very expensive. Since a credit union is ultimately responsible for compliance with the rules, we believe that this requirement of verifying a third party vendor's compliance should be deleted.

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Involvement and Oversight by board of directors, committee or senior management

We support the flexibility granted by the Proposal concerning the involvement and oversight of the Program. While we believe that the board of directors or a committee should approve the Program, it may be appropriate and practical to delegate the oversight, implementation and maintenance of the Program to senior management.

Red Flag Guidelines to Identity Theft Detection, Prevention and Mitigation: Appendix J

While the NCUA and the other agencies have provided a list of red flag guidelines that are common and are already being used by credit unions as possible indicators of identity theft, other red flags listed are overly broad and not helpful. We would recommend that these overly broad red flags be deleted from the guidelines.

Additionally, we recommend that if a credit union decides that one of the red flags is not a useful indicator of identity theft, that the credit union not be required to document the reasons why it decided not to use one of the recommended red flags. To document these red flags, would be very burdensome and a waste of time as credit unions would be forced to spend time on red flags that it knows is not useful to them instead of concentrating on the red flags that are useful.

The red flags that we would recommend for deletion include the following:

- ❑ Personal information provided that is internally inconsistent such as a lack of correlation between social security number (SSN) range and the date of birth – While we verify a potential member’s SSN, it would be burdensome to require credit unions to become familiar with the correlation of SSNs with birthdates.
- ❑ The address, home or cell phone number provided is the same as that submitted by others – In today’s mobile society, addresses and phone numbers change frequently. This is not a very useful indicator of identity theft.
- ❑ Consumer fails to provide all required information on an application – Again, sometimes a member is in a hurry and submits an incomplete application believing that they have answered the “important” questions. Therefore, this should not be a red flag.
- ❑ Mail sent to the consumer is returned as undeliverable, even though transactions continue to be conducted with the consumer’s account – Because members are busy, they may forget to give the credit union their new address. This is not a good red flag indicator and should be removed.

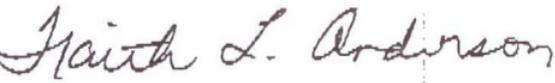
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In order for credit unions to have enough time to implement a Program, we would recommend that the NCUA and other agencies provide a required compliance date of a minimum of one year after the final rules are issued.

I thank you for all of your hard work on this Proposal. We appreciate the opportunity to comment on this matter. If you have any questions, please call me at 817-931-7004.

Sincerely,



Faith L. Anderson
Vice President & General Counsel

cc: J. M. Tippetts
CUNA
NAECU