

The following are Frequently Asked Questions concerning the Red Flag Rules and the Red Flag Compliance Product.

1. Where did these Red Flag Rules come from?

The Fair and Accurate Credit Transactions Act of 2003. On November 9, 2007, the Federal Trade Commission and other Federal Agencies issued a joint final rule (the "Red Flag Rule"). The Red Flag Rule took effect on January 1, 2008 and covered businesses must comply by January 1, 2011.

The Agencies that created the Red Flag Rule "require all financial institutions and creditors to evaluate the adequacy of existing policies and procedures and to develop and implement risk-based policies and procedures that detect Red Flags in an effective and comprehensive manner."

The purpose of the Red Flag Rules is not to protect businesses or financial institutions, it's purpose to protect consumers from having their identity stolen.

2. What is a Red Flag?

A red flag is a pattern, practice, or specific activity that indicates the possible existence of identity theft. It doesn't mean that an identity theft situation is occurring, only that the possibility exists.

3. Do the Red Flag Rules apply to my dealership?

Any dealership that is involved in any part of the process of granting an installment loan has to be compliant. So if your dealership works with a bank or financial institution to get a loan for a customer, the FTC refers to this as a covered account, then you will need to be compliant.

4. What if a dealership is Buy Here Pay Here?

The same rules apply. Since there are loans involved with Buy Here Pay Here, the dealership still needs to be compliant.

5. What about cash and carry?

The law is not very specific about cash deals – but car dealerships in particular are required to check each customer against the terrorist watch list to verify that that person is not an SDN (Specially Designated National). Dealers are not allowed to do business with such a person. They are also required to verify that that person is not represented by or are financing through any business entities that are under U.S. sanctions.

6. This Red Flag Rule law keeps getting delayed. Why?

The law has actually been in effect since January 1, 2008. The enforcement of the law is what is getting delayed and that is only true for some types of businesses. The main reason for the delay has been determining which businesses need to be complaint and which ones don't. The initial guidelines were so broad that almost all business that was not cash only would need to be compliant.

7. Could automobile dealers be excluded at some point?

That's not very likely. There has never been much question about financial institutions and businesses selling large ticket items like automobiles, motorcycles, RV's, etc ever being excluded from the law.

8. Couldn't the whole thing just be cancelled after all?

That is also not very likely. According to President's Identity Theft Task Force several years ago, the cost of identity theft results in billions of dollars in losses each year to individuals and businesses in the United States. .

9. If our business chooses not to be compliant, what's the worst that could happen?

Three bad things could happen. 1) You could be fined. The penalties were raised on February 9th, 2009. Penalties are \$3,500 for the first violation of the Fair Credit Reporting Act, up to \$16,000 for repeated violations or failure to comply. 2) The insurance company that insured the stolen vehicle could decide not to pay a claim for a vehicle stolen due to identity theft. 3) Finally, lawyers could file suit on behalf on someone whose identity was stolen for damages because their identity was used at your dealership to buy a car.

10. What government agency or agencies is enforcing the Red Flag rules.

The Federal Trade Commission (FTC) will be responsible for enforcing the Red Flag Rules for automobile dealers and relevant financial institutions..

11. Is the FTC really going to be actively enforcing this law?

Probably not, but it won't need to. The real enforcement will come from insurance companies not paying for automobiles stolen by purchasers using fake identities and lawsuits filed for damages because someone's identity was stolen and a car was purchased with their identity.

12. Our business runs a credit check on customers, doesn't that make us compliant?

No, Credit checks include a comprehensive verification of the name and information given to run the credit check. However, it is still not full proof in verifying that the person is who they say they are.

13. So what exactly does a business need to do to be compliant with the Red Flag Rules?

The entire process revolves around the creation of an Identity Theft Prevention Plan (ITPP). The ITPP is set of policies and procedures based on a businesses own circumstances in a formal written program. The ITPP must contain "reasonable policies and procedures for detecting, preventing and mitigating identity theft" and must be implemented by January 1, 2011.

14. You claim you are offering a complete solution for the Red Flag Rules. Everyone else says that too. What makes you different?

When we developed our Red Flag product, we focused on what would be really useful to automobile dealers and other relevant industries in helping prevent identity theft AND make the business using our product also be compliant in terms of government regulation. To do that, we created a Red Flag Verification tool that dealers should use for every customer that may purchase a vehicle. We also created an Identity Theft Prevention Program application so that dealers could create an ITPP program in minutes instead of hours or even days. The regulations say employees must be trained so we created a Training module. There must also be a way to monitor that businesses can verify that they are compliant and stay that way, so we developed a Reporting function and an email based Notification process. No one else is offering all of that.

15. Businesses have to deal with so much government regulation already and the expense associated with it, why are we being saddled with another thing to deal with?

It was mentioned earlier that the Red Flag Rule was created to protect consumers not businesses. But our Red Flag product can also provide a way to save a dealer time and money. By adding this identity theft protection, a dealership will not have to spend as much time dealing with the hassle of a stolen vehicle. So there will be less time wasted on paperwork and the effort to recover the vehicle

16. If we use your product, does that guarantee our business will never have an incident of identity theft again?

No. As people get smarter to protect themselves from computer hackers, the computer hackers also get smarter. Identity thieves will also get smarter and some will still find a way to steal identities. No product will ever be full proof. However, our product will give your dealership a layer of protection that's as solid as there is in the industry today.

17. What would happen if a business is fully compliant but still becomes a victim of identity theft? Will it still be fined?

Not likely. The FTC is clear in describing that dealers "have reasonable policies and procedures for detecting, preventing and mitigating identity theft." Obviously, identity thieves will still exist no matter how diligent businesses are in stopping them.

18. If our business signs up for a free trial, what are the restrictions?

During the free trial period, your business will have unlimited use of the Express Version of the Red Flag Verification Tool. You will be able to do identity verifications for each customer. What you will not have access too is the Comprehensive Version of the Product and you will not have access to using the Identity Theft Prevention Program application, any of the training, reporting or notification functions. These additional features are for paid customers only.

19. What does the Red Flag Verification Tool actually do?

The purpose of both the Express and the Comprehensive versions is to resolve all the appropriate Red Flag Rules for each customer that wants to purchase a vehicle. Each Red

Flag Rule resolution will correspond to information that is collected about each customer externally from third party databases or internally by answering several questions about the potential customer. The result of this verification is a Compliance Summary Report that can be filed in the customer's deal jacket.

20. What's the difference between the Express and Comprehensive versions of the product?

The Express Version checks several external databases to verify certain information, specifically it does an OFAC check and also checks the Social Security Administration database to verify the validity of the Social Security Number (when and where it was issued). The SSN is also checked to verify it does not appear on the SSN Death Master List. The Customer city, state and zip code is also checked to prove it is valid.

In addition to all the verification that the Express version offers, the Comprehensive version does a comparison of the Customer's driver's license information with address information maintained by the major credit agencies.

There is also an identity verification process that allows the dealership to ask several "Out of Wallet or challenge" questions to verify the Customer's identity.

21. What pricing plans are available?

There are two different pricing plans available: the standard plan and the low volume plan

22. If we choose the low volume plan, what are we missing? Are we less compliant?

No, you will still be fully compliant with either pricing plan. Both plans include full use of the Training, ITPP creation, reports and email notification features.

The standard plan has a monthly fee and allows unlimited access of the Express version. There is an additional charge for each use of the Comprehensive version.

The low volume plan has a set up fee and a prepay amount to fund a usage account that will be deducted for each use of the Express or Comprehensive version. This funded usage account will need to be replenished when it hits a threshold but this replenishment will be based on usage only.

23. Does a business have to sign a contract and if so for how long? What's the cancellation procedure?

No contracts are required for the Red Flag Verification Product. Of course we hope you never cancel, but if necessary, a customer could cancel with little notice. For the standard plan, the customer is billed month to month. For the low price option, after the initial charges, a bill is sent out only to replenish their usage account. So if a customer wants to cancel, there is no penalties or other charges.

24. If a business decides to cancel, what happens to the customer information that's been collected?

Access to the data is only allowed to paying customers through the system. We do keep the information for up to 180 days depending on how long the customer wants to have access to that information. After that it is archived and saved for legal purposes. So if a customer cancels but then comes back, they would have access to any customer information not aged off. But a cancelled customer has no access to that information.

25. Does it take a long time to learn how to use the Red Flag Verification tool?

No. The tool was designed to be very intuitive to use and has a very short learning curve. Our product is currently active in hundreds of dealerships. The overwhelming majority of them have needed no training to begin using the Red Flag Verification Tool.

26. Does the verification process take long to complete?

No. Once the user becomes comfortable with using the tools, both the Express version and the Comprehensive version can be completed in just a couple of minutes.

27. How do I know my customer information will be safe?

Our applications are housed on secure servers using current technology such as hardware firewalls to protect the data from intruders. The servers housing the data have backup storage capability to protect against data loss. All sensitive data is also encrypted to offer an extra layer of protection.

28. Does anyone else have access to the information about my customers? Can I get access to information about someone else's customers?

The answer to both questions is No.

For more information go to www.infinitycompliance.com or call us at 1-877-757-2565

