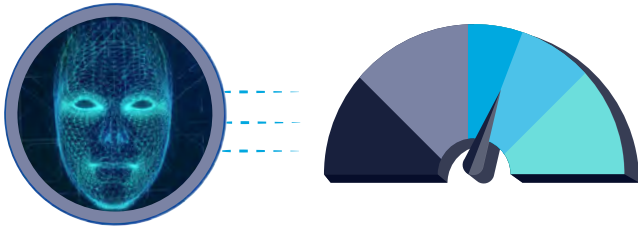


# USE CASE: CREDIT REPAIR



## OVERVIEW

In the wake of personal bankruptcy, other financial hardships or poor management of one's finances, individuals often seek solutions to quickly re-build a positive credit history. While there are legal means to doing so, those typically take time and patience.

Taking advantage of individuals looking for a more

immediate solution, some companies promise to help consumers build a "new credit identity," claiming this will erase previous derogatory credit information and begin building a positive credit history. These companies will charge the consumer a fee and then provide a nine-digit Credit Profile (or Privacy) Number (CPN). The company typically explains this number as a new identifier to use when applying for credit - in lieu of the Social Security number (SSN) - that will help with credit repair. The company emphasizes the process is seamless and legal.

In reality, the CPNs provided by these credit repair companies are SSNs belonging to other individuals. These companies are scamming consumers into committing synthetic identity fraud by using another person's SSN to create and build a new credit history, which is a form of synthetic identity fraud.

### **Social Security Administration Office of the Inspector General Weighs in on Credit Repair Practices**

*According to the Office of the Inspector General: "Numerous unscrupulous agencies and organizations are providing CPNs—also known as Credit Profile Numbers and Credit Protection Numbers—for a fee, as a method of creating a new, separate credit file for individuals with low credit scores, bankruptcy, and slow or late payments on their current credit record. Websites offering CPNs advertise a new credit file with the use of a CPN, at costs ranging from about \$40 to as much as \$3,500. Despite what many of these credit repair websites imply, consumers should know that CPNs are not legal."*

Synthetic identity fraud is defined as the use of a combination of personally identifiable information (PII) to fabricate a person or entity in order to commit a dishonest act for personal or financial gain. While consumers may not realize they are using another person's SSN, this act is illegal regardless of intent or awareness. As such, there can be serious legal consequences for consumers engaging in this type of activity.

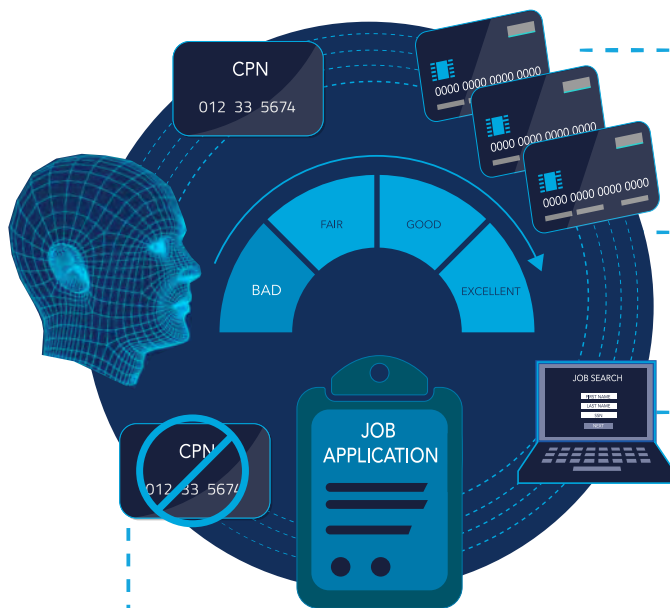
## WHAT IS A CREDIT PROFILE NUMBER?

As stated above, a CPN is a nine-digit number that is used by individuals in lieu of a Social Security number. Some credit repair companies state that CPNs act as a secondary Social Security number, but this information is false and can mislead consumers and potentially cause legal consequences.

# USE CASE: CREDIT REPAIR

## USE CASE: CREDIT CHECK REQUIRED FOR NEW EMPLOYMENT

A 37-year-old bartender worked at a locally owned restaurant in Alexandria, Virginia. The restaurant permanently closed and left the bartender unemployed in April 2020 due to financial constraints caused by the COVID-19 pandemic. The bartender had difficulty finding new employment due to the high number of bar and restaurant closures in his city. Without a steady source of income, the bartender faced financial difficulties that led him to file for personal bankruptcy in late 2020. In early 2021, with continued limited bartending opportunities, he decided to switch vocations and apply for an entry-level position in the financial services industry.



*Most of these financial services job openings required that all applicants successfully pass a background check, including a credit history check.*

*To satisfy the employment requirements, applicants must have a fairly clean credit history, with minimal derogatory information.*

*As he recently filed for bankruptcy, the bartender did not believe he would pass the credit history portion of the background check, so he began to look for other career ideas online.*

*While doing so, he was distracted by his friends' social media posts and saw an advertisement pop up, offering a solution for consumers who wish to quickly recover from past derogatory credit history and build a new positive credit history.*

*The bartender contacted the credit repair company, paid a fee for the service and was provided a nine-digit number, or a CPN, that he was instructed to use moving forward in place of his SSN when applying for positions and/or additional credit.*

*The bartender submitted several job applications using the provided CPN. However, this CPN was actually a stolen SSN from an individual with a strong positive credit history.*

# USE CASE: CREDIT REPAIR

- The former bartender received multiple job offers and accepted the highest-paying position.*
- Using the same CPN he listed on his job applications, he applied - and was approved - for several small lines of secured credit to begin rebuilding his credit history right away.*
- A few weeks into his new position, he was contacted by Human Resources regarding an alert associated with the SSN provided on the application.*
- He admitted the SSN on his employment documentation was a CPN he acquired through a credit repair agency due to past financial struggles. However, he assured his employer that he was already building a positive credit history with his new CPN.*
- His Human Resources department informed him that he committed fraud by using this CPN on the job application because it is actually another person's SSN. The former bartender was immediately terminated and then, charged with SSN theft by the authorities.*

## AFTERMATH

Legal ramifications of consumers using other individuals' SSNs in the form of CPNs include probationary periods, fines or incarceration. The Federal Trade Commission (FTC) further describes why this is illegal and also provides [\*\*warning signs of a credit repair scam\*\*](#) to help protect you from becoming a victim and unknowingly getting involved in illegal activity by using another person's SSN.

## HOW CAN I LEGALLY REPAIR MY CREDIT?

What do you do if you need to rebuild or repair your credit? While it won't happen overnight, there are several legal steps you can take to improve your credit history. The FTC website offers insight on your consumer rights and [\*\*how to get legitimate help with rebuilding your credit\*\*](#).

The synthetic identity fraud mitigation toolkit was developed by the Federal Reserve to help educate the industry about synthetic identity fraud and outline potential ways to help detect and mitigate this fraud type. Insights for this toolkit were provided through interviews with industry experts, publicly available research, and team member expertise. This toolkit is not intended to result in any regulatory or reporting requirements, imply any liabilities for fraud loss, or confer any legal status, legal definitions, or legal rights or responsibilities. While use of this toolkit throughout the industry is encouraged, utilization of the toolkit is voluntary at the discretion of each individual entity. Absent written consent, this toolkit may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.