

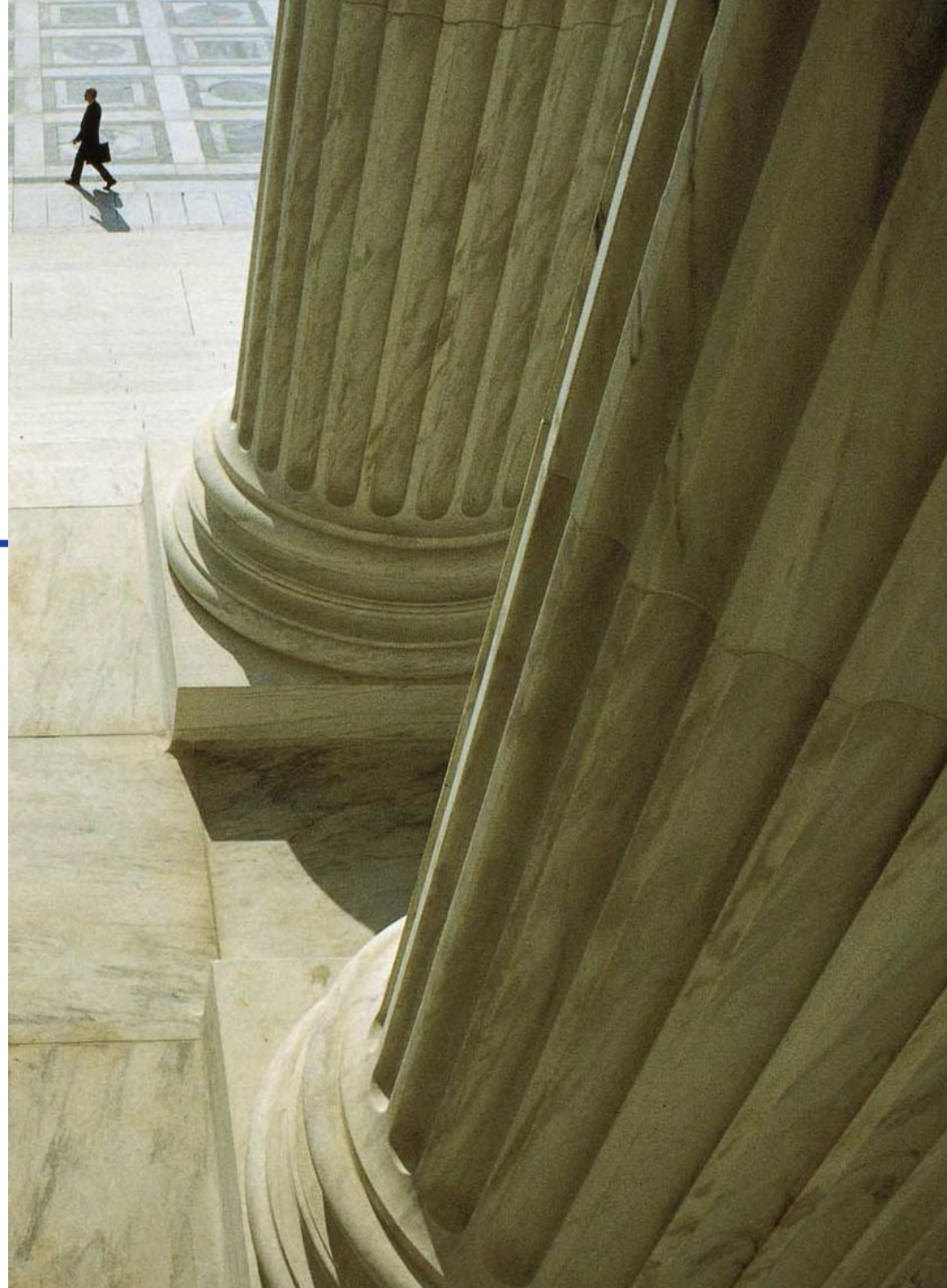


PEC Solutions, Inc
Leadership in e-Government Solutions

KBA –Responsible Use and Scoring

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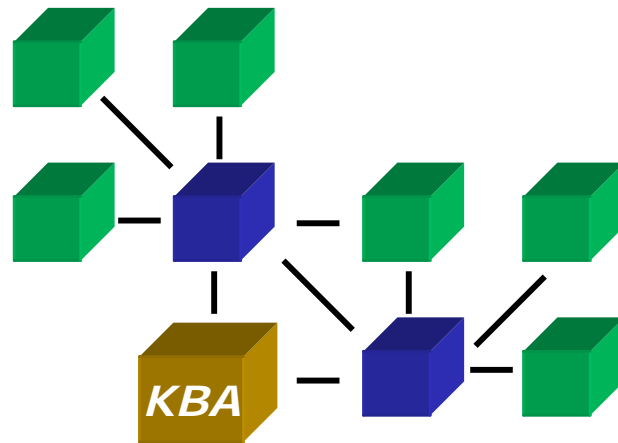


- ▶ Time Complexity of Algorithms
- ▶ Tootsie Roll Pop Internet Identity riddle
- ▶ And Public Perception Leads to ...
- ▶ Responsible Use
- ▶ Implementation Best Practices



Traditional Criticisms of KBA

- ▶ Internet commoditization of Data
- ▶ Accuracy of data furnished to CRA or KB provider
- ▶ Reconciling furnisher's and CRA's profit motives with stewardship responsibilities
- ▶ Perception that inquiries can impact credit score



LEGEND



*Consumer
Reporting
Agency*



Furnisher



*KBA Service
Provider*



Traditional Criticisms of KBA (Continued)

▶ Human Factors

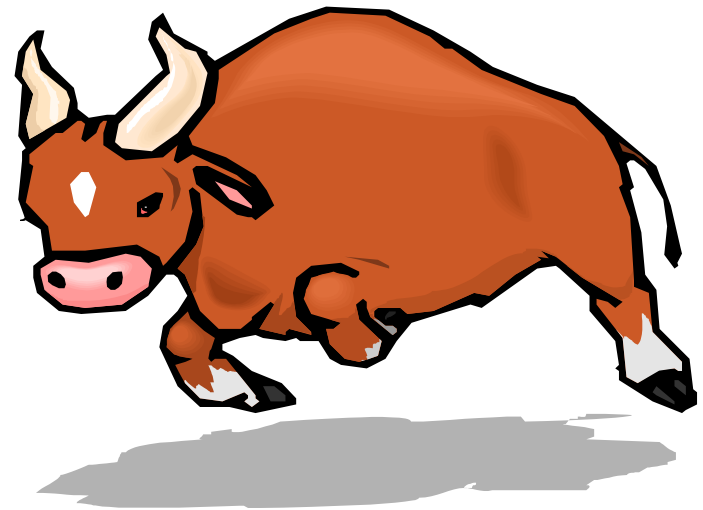
- Dependence on candidate's memory
- Alienation factors (Question selection)
- Discrimination

▶ [Solutions must acknowledge](#)

- Public Opinion
- Perception
- Real fears about fraud/identity theft and its consequences

Overcoming these Criticisms Depends on...

- ▶ Lessons from the Legal World
- ▶ Responsible Use
- ▶ Implementation Best Practices
- ▶ Consistent and defined Scoring Model






KBA Scoring

1. Identify Verification (valid, existing ID)
 2. Identity Authentication - Out of Wallet questions
 - With whom does the user have his car loan?
 - What amount does he pay each month for his mortgage?
 - Who is his ISP?
 - Who is his car insured with?
- ▶ KBA vendor provides a probability (score) that the identity binding is bona fide.
 - ▶ Score returned from KBA vendor should not to be confused with an "Identity Score" – which no vendor will yet provide.
 - ▶ Vendors require customers to set score thresholds (assuming liability for incorrectly authenticated individuals)



Factors Influencing Implementation & Score

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- A photograph on the left side of the slide shows a person in a dark suit walking across a light-colored stone walkway. To the left of the person is a large, fluted stone column. The background shows a building with a grid of windows.
- ▶ Data Checks
 - Accuracy –
 - Consistency
 - Legitimacy
 - ▶ Data Source Diversity
 - Number of data sources (Credit, IRS, Dept. of Veterans Affairs, etc.)
 - ▶ Candidate Profile
 - Age
 - Credit history
 - Other Business & Government relationships & “transactions”



Other Factors to Consider

▶ Other Security Controls

- Methods of presenting KB out of wallet questions (playing permutations and need for randomness)
- Number of Out of Wallet Questions, and...
- Number of multiple choice answers provided
- Windowing History of questions/answers
- Lockout
- Event recorded on credit report

▶ Legal Framework

- CRA and furnisher's due care re. information safeguards
- Level of effort by individual to police their identity



Comparative Analysis of KBA Vendors

- ▶ Data Quality and Options
 - Data Breadth
 - Data Latency
 - Question Randomness
 - Identity Authentication
- ▶ Support Services
- ▶ Administration
- ▶ Provider Viability
- ▶ Security
- ▶ Privacy Awareness
- ▶ Technology
- ▶ 508 compliance
- ▶ Cost



Next Steps Following Comparative Analysis

- ▶ Design Model
- ▶ Interoperability with E-authentication
- ▶ Pilot Evaluation of vendors and scoring models
- ▶ Analyze acceptable thresholds for applications





Fair Credit Reporting Act

- ▶ Applies to any information collected/used to evaluate consumer eligibility
- ▶ Establishes permissible purposes to assess eligibility in connection with a “business transaction initiated by consumer.”
- ▶ Protections to privacy and accuracy
- ▶ Accuracy (Self help provisions)
 - CRA must follow “reasonable procedures to ensure maximum possible accuracy”
 - Adverse action notices to consumers—consumer sees source of information, and gives consumer access to report
 - Gives consumers right to know information and dispute errors



Fair Credit Reporting Act

- ▶ Amendments under Privacy Protections
 - Employers must obtain applicant's written permission before obtaining a credit report
 - Consumers have ability to opt out of pre-screened credit offers (1-888-opt-out)

- ▶ Accuracy and Fairness
 - Creditors must investigate and report accurate information to ALL national credit bureaus
 - Codification of timeframes for completion of consumer dispute
 - Consumers may obtain a copy of their report

▶ FACTA — Fair and Accurate Credit Transaction Act 2003

- Fraud Alerts (Initial, Extended, Active Duty)
- Free Annual Credit Report
- Truncation of Credit Card Numbers on Receipts
- Truncation of SSN on Credit Report
- Account Takeover Provisions — Change of address
- FTC Regulations Providing Guidance for Reconciling Address

▶ Colorado § 12-14.3-104 (Jan 2001)

- Required to notify consumer if 8 inquiries received within 12 months
- Advise consumer of the number and type of events

▶ Identity Theft “Lojack”





Matching Data—California Civil Code 1785.14



- ▶ Creditors must make a reasonable effort to verify identity
- ▶ Retail sellers must match at least 3 categories of identifying information within the file maintained by the CRA. Categories include:
 - first and last name,
 - month and date of birth,
 - driver's license number,
 - place of employment,
 - current residence address,
 - previous residence address,
 - social security number.
- ▶ Information shall not include MOTHER'S MAIDEN NAME.
 - Genealogists are now up in arms





KBA Implementation Outlook

- ▶ E-government solutions demand a solution that meets low risk application needs
- ▶ Proper security controls for change of address
- ▶ Report excessive inquiries to address of record
- ▶ facilitate "self policing"
- ▶ Leverage internal data sources

- ▶ Further Study
- ▶ Evaluate whether credit report can serve as audit/reporting tool for e-gov transactions
- ▶ Evaluate use of windowing and lockouts for KBA
- ▶ Evaluate electronic equivalent to Breeder documents
- ▶ Continue to monitor FTC for "red flag" regulations and FACTA's impact on identity theft



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