



ADVERTISING AND PUBLIC RELATIONS
8303 Southwest Freeway, Suite 230, Houston, Texas 77074, 713/995-5656

Tuesday
March 27th 1990

Mr. Simson Garfinkel
52½ Pleasant Street
Cambridge, MA 02139

Dear Mr. Garfinkel:

Herewith our responses to the questions you'd asked for the article you are preparing for The Christian Science Monitor. If you have any comments or further questions, please don't hesitate to call.

ACCOUNT NUMBERS:

Credit bureaus have the capability to list truncated or partial numbers, depending on the credit granter's instructions.

Not all credit granters want to list complete account numbers, but some do.

Many of those that do want to list the complete account number believe that this allows them to be more accurate and efficient in responding to consumer challenges or requests for reverification, especially when a consumer has more than one account with that credit granter and more than one account number.

Many credit granters believe the threat of fraud (i.e. stealing credit account numbers) is greater at the point of sale (i.e. numbers taken from credit card receipt carbons) or from stolen cards than it is from fraudulent access entry into a credit bureau record.

One further point of possible interest relates to credit granters who may be concerned that their computer tapes with names, account histories and account numbers could be stolen while in transit from their offices to the credit bureau. A system is available that allows them to encode the numbers, rendering the data useless while it is in transit. The bureau then decodes the data when it receives the tape safely, using a special decoding key.

You may want to contact others for comment on this: VISA International in San Francisco, MasterCard in New York or the U.S. Secret Service in Washington, D.C., the agency that enforces the credit card protection statutes.

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AUDITING SYSTEMS TO DETECT UNAUTHORIZED ACCESS:

Security systems to protect against unauthorized access include methods to detect abnormal billing or volume of credit reports used by a credit granter. There are also methods to measure abnormal patterns of inquiry, addressing such factors as whether a particular credit granter normally uses Social Security numbers or place of employment as identifying items for inquiries. Even a credit granter's error rate in providing input for an inquiry, the time of day inquiries are normally made and the different parts of the country from which they make inquiries are examples of the factors used in constructing a normal pattern for any given credit granter against which abnormalities can be determined. Deviations in accessing a system might even focus on employers or employees, depending on who normally makes inquiries.

One bureau security manager tells the story about a woman working at a credit granter firm and the woman was about to be married. She wanted to get some information about her fiance's credit history. Apparently, she had access to her employer's credit bureau service, so she made what she thought was a normal inquiry, except it wasn't "normal." The information she used for her inquiry was not the same amount or type that she would provide for a normal credit inquiry, and that allowed the bureau to track the inquiry as abnormal and report it to her employer.

AUDITING SYSTEMS TO DETERMINE INVALID OR INCORRECT INFORMATION:

Credit bureaus have developed systems allowing them to run internal audits that will reveal abnormalities in credit granter reports, focusing on a variety of criteria ranging from tape format to the number of trade lines reported. The bureaus now have systems that can detect whether a Social Security number that's been submitted is "abnormal" in that it doesn't fit the normal pattern of digits established by the Social Security Administration. Of course, it may be that a consumer simply has made a major -- albeit accidental -- error in recording his or her Social Security number on a credit application. On the other hand, someone intent on fraud may have submitted a fake Social Security number. In any case, the audit system is likely to catch this anomaly and may also reveal names of multiple persons using the same Social Security number. Indeed, the bureaus have developed a variety of systems aimed at reducing the introduction of fraudulent data into the credit reporting system. In addition to the detection of abnormal Social Security numbers, these systems will flag known fraudulent Social Security numbers. They will do the same with known fake addresses, postal drops or addresses of state and federal prisons and local jails and names or nicknames that have been used in fraudulent schemes.

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TARGET ANALYSIS (ALSO KNOWN AS TARGET MARKETING OR DATABASE MARKETING):

Details of the credit record used in making credit granting decisions are N-O-T used for target analysis. Names of creditors, for example, are not revealed nor are the details of individual credit or trade lines nor details of public record data.

In credit granting, details of individual credit reports are judged against the credit granting standards of the credit granters.

In target analysis, the marketer establishes a general outline of standards which it hopes will fit the general characteristics of a large mass of prospective customers.

Thus, in a target analysis, the criteria that a marketer might establish would include: name; age; current address; the presence (but not name or identity) of an active bank card, retail card and/or "upscale" retail card; indexes or broadly-stated ranges of total credit activity and estimated income. It might also require that the final list not include names of those who meet the other criteria but who have serious delinquencies or who have experienced bankruptcy or foreclosure within a certain time frame. Not all marketers, of course, would need all these factors.

The target analysis list that is finally produced for use by the marketer or its mailing firm is nothing more than a list of names and addresses with NO details of any kind keyed to individual names. In other words, all the names in the list are stipulated to be those that fit all the criteria submitted by the marketer.

In some cases, marketers may need other information derived from sources other than the credit database, which the target analysis company might be able to provide from such sources as U. S. Census data.

Some marketers, depending on the product or service they're selling, may need only name, age, address and the presence of an active bank card. On the other hand, an upscale jewelry store may need all the factors noted above. A furniture store may have more interest in a list of those who recently have bought a new home but no interest in those who have upscale retail cards. A mid-range general department store may have an interest in many of the factors previously noted but no particular interest in whether its targeted prospects have upscale retail cards. Obviously, the list of criteria will vary with the needs and objectives of individual marketers.

While the target analysis lists produced by the target analysis company may be sufficient for focusing a marketing message to a logical and reasonable group of prospects, it is N-O-T sufficient to make a credit decision for any of those prospects who may decide to apply for credit.

The need for target analysis has grown out of the pressure that marketers are under to reduce advertising and marketing costs in an era in which advertising and distribution costs have skyrocketed, in which competition has sharply increased and in which consumers have become more and more selective in their shopping habits and in seeking out specialized media that appeal to their particular tastes.

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TARGET ANALYSIS (CONTINUED FROM PAGE 3):

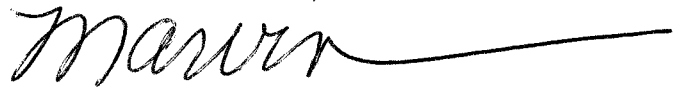
All the foregoing have lead to efforts to more sharply define the target audiences that are most likely to respond to advertising or marketing messages. This should help the marketer to control marketing costs better and should help consumers by delivering advertising messages in which they are more likely to be interested. At the same time, the privacy of the credit data used for making credit granting decisions is still protected.

Thanks for your interest, Mr. Garfinkel. We'd appreciate the opportunity to respond to any further or remaining concerns that you might have or that may be harbored by others whom you are interviewing for this article.

I hope you had a pleasant trip to Israel.

If you can, we'd appreciate it if you could let us know when the article will be published so we can arrange to obtain a copy from The Monitor.

Sincerely,

A handwritten signature in cursive script that reads "Marvin". The signature is written in black ink and has a long, horizontal flourish extending to the right.

Marvin B. Kaplan