

WHITE PAPER

Identity Theft **911**

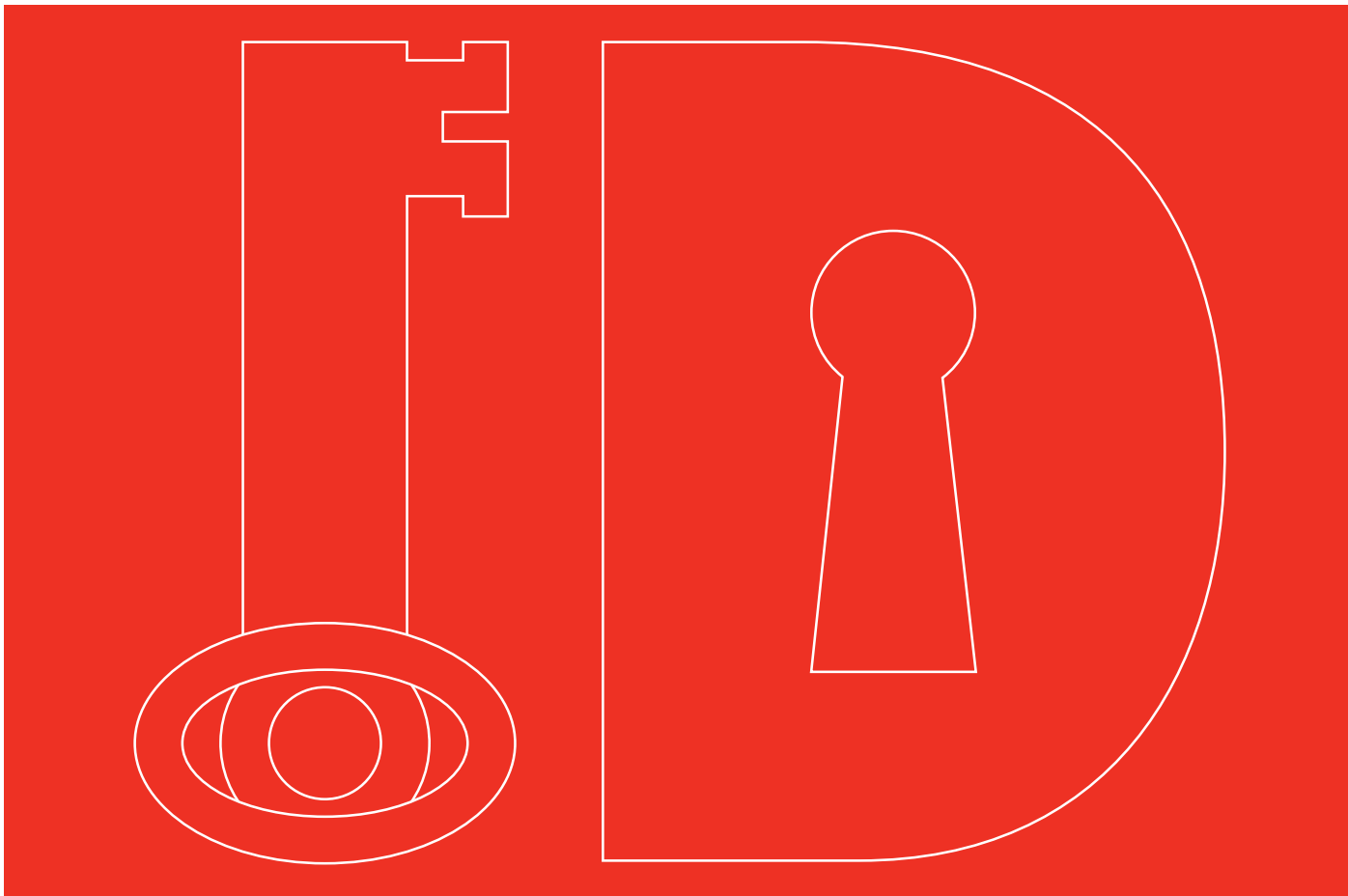
Analysis of Significant Identity Theft Trends & Crime Patterns In the State of **New Jersey**

Confidential. Copyright 2005. All rights reserved.

For more information, visit www.identitytheft911.com

For business inquiries, call (480) 355 8500

4150 N. Drinkwater Blvd. #210, Scottsdale, AZ 85251



Executive Summary

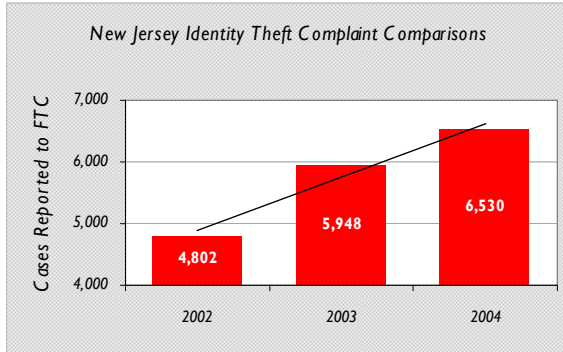
- Identity theft in New Jersey increased by **36%** during the past 2 years and **10%** during 2004, based on complaints filed by victims with the FTC. These rates are lower than national averages (52% and 15%, respectively).
- New Jersey ranked **15th** out of 50 states for per capita identity theft complaints filed in 2004 with the FTC. New Jersey ranked **11th** based on the absolute level of complaints filed with the FTC in 2004.
- An estimated **300,000** New Jersey residents were victims of identity theft in 2004, a victim rate of **3.5%** versus the national average of 4.6%.
- Identity theft is broadly endemic in New Jersey and is not concentrated in metropolitan areas or large cities.
- The state's identity theft cost New Jersey enterprises and victims nearly **\$2 billion** in 2004 and drained over **14 million hours** in victim resolution.
- The victimization rate for households in New Jersey during 2004 was **9.8%**. Cities exhibiting the highest household rates of identity theft included: **Trenton** (14.6%); **Newark** (13.6%); and **Jersey City** (13.2%).
- The comparative impact of identity theft in New Jersey is more severe than is being experienced nationwide; losses are **4.6 times greater** than are aggregate losses from burglary, larceny theft, and motor vehicle theft.

SECTION I

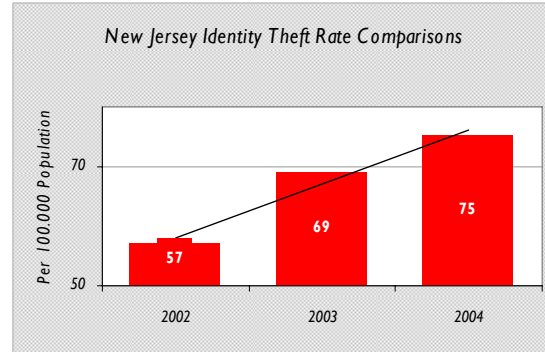
ANALYSIS OF NEW JERSEY IDENTITY THEFT CASES REPORTED TO THE FTC

During 2002 the Federal Trade Commission received 161,896 complaints from U.S. consumers claiming to be victims of identity theft. The sample is statistically significant despite the fact that reported cases only represented 1.6% of total identity theft. Crime frequencies can be parsed by state of domicile. During 2002, identity theft frequencies ranged from a high of 30,738 (California) to a low of 81 (North Dakota). The FTC also reports victim complaints on a relative basis by expressing the number of complaints filed per 100,000 of population. During 2004 rates ranged from a maximum of 142.5 (Arizona) to a minimum of 23.2 (South Dakota): mean average 64.7; standard error 3.7; and standard deviation of 26.2.

The Federal Trade Commission states that during 2004, victims residing in New Jersey reported 6,530 instances of identity theft-related fraud.¹ During calendar 2003, New Jersey residents reported 5,948² cases of identity theft, up from 4,802³ complaints filed during 2002. New Jersey's reported complaints in 2004 were +9.8% higher than 2003 levels and +36% above rates reported during 2002⁴.



DATA SOURCE: Federal Trade Commission
CHART BY: Identity Theft 911



DATA SOURCE: Federal Trade Commission
CHART BY: Identity Theft 911

¹ Federal Trade Commission. *National and State Trends in Fraud & Identity Theft: January-December 2004*. Data from Consumer Sentinel and the Identity Theft Data Clearinghouse. Washington, D.C. February 1, 2005.

² Federal Trade Commission. *National and State Trends in Fraud & Identity Theft: January-December 2003*. Data from Consumer Sentinel and the Identity Theft Data Clearinghouse. Washington, D.C. January 22, 2004.

³ Federal Trade Commission. *Identity Theft Victim Complaint Data: Figures and Trends January 1-December 31, 2002*. Data from the Identity Theft Data Clearinghouse. Washington, D.C. January 22, 2003.

⁴ Identity Theft 911, LLC. All statistical calculations, extrapolations and conclusions are provided by Identity Theft 911, LLC as author of this paper.

SECTION I (CONTINUED)

ANALYSIS OF NEW JERSEY IDENTITY THEFT CASES REPORTED TO THE FTC

Nationally, the FTC received 246,570¹ complaints of identity theft during 2004. This compares to a national total of 215,093² cases in 2003 and 161,896³ complaints in 2002. The incidence of identity theft-related fraud in 2004 increased by +14.6% over 2003 and was +52.3% higher than in 2002. Both rates indicate that identity theft is increasing slower in New Jersey State than is being experienced by the nation as a whole.

The trend in New Jersey can also be demonstrated by calculating the percentage of the nation's complaints that are represented by New Jersey: 2002, 3.0%; 2003, 2.8%; and 2004, 2.6%.

New Jersey experienced a complaint rate of 75.1 people per 100,000 during 2004. This compares to 68.9 people per 100,000 the previous year and 57.1 in 2002. New Jersey ranked 15th out of 50 states reporting identity theft to the FTC during 2004 (14th in 2003 and 2002).

CONCLUSION: Based on consumer complaints filed with the FTC, the incidence of identity theft in the state of New Jersey is worsening. While identity theft-related fraud has increased nationally during the past three years (2002-2004), the rate of increase in New Jersey has been below the national rate, even though the per capita complaint rate for New Jersey has increased from 57.1 to 75.1.

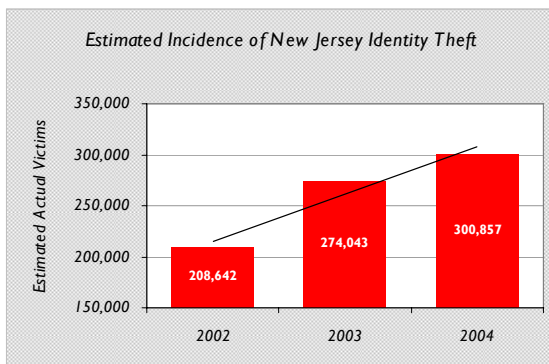
SECTION II

PROJECTING THE LIKELY INCIDENCE OF IDENTITY THEFT IN NEW JERSEY

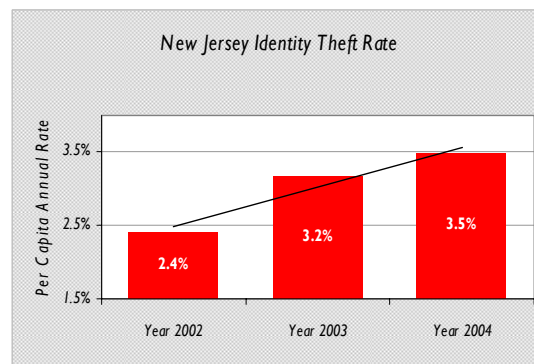
Statistically significant data provides the opportunity to extend, or estimate by extrapolation, the overall incidence of identity theft throughout the state. Simply stated, the rate of case reporting to the FTC can be used to estimate the likely occurrence of identity theft throughout the state during 2004. The FTC's landmark identity theft survey released in 2003 indicated that 9.91 million Americans had been victimized by identity theft during the past year.

During the period of the FTC Survey, an estimated 208,642 New Jersey residents were victimized by identity theft. This equates to an annual victim rate of 2.4% in 2002 versus a national average of 4.6%⁵ during the same period.

If complaint rates reported in 2004 are applied to actual victimization projections, the likely incidence of identity theft in the state of New Jersey during 2004 can be estimated at 300,857 or 3.5% (actual victim rate per 100,000 in population was 3,482.8).



DATA SOURCE: Federal Trade Commission
CHART BY: Identity Theft 911



DATA SOURCE: Federal Trade Commission
CHART BY: Identity Theft 911

CONCLUSION: The per capita incidence of identity theft in New Jersey is below the national average, even though it has increased dramatically from 2.4% to 3.5%. Nearly 300,000 New Jersey residents experienced some form of identity theft last year.

⁵ Federal Trade Commission. Identity Theft Survey Report. Synovate. September, 2003. McLean Virginia..

SECTION III

IDENTITY THEFT IN MAJOR REPORTING NEW JERSEY CITIES

The FTC also records the city of domicile and reports the five most active cities filing identity theft complaints within each state. The FTC also ranks the major Metropolitan Statistical Areas (MSA) with a population of one million or more for identity theft-related complaints. The rankings ranged from #1 Phoenix-Mesa-Scottsdale 182.2 victim complaints per 100,000 population to #49 Pittsburgh at 49.8 victim complaints per 100,000.

The five New Jersey cities accounting for the highest FTC complaint levels during 2004 were: Newark, 269 reports or 4.1% of the state's total complaints; Jersey City, 254 (3.9%); Paterson, 113 (1.7%); Elizabeth, 93 (1.4%); and Trenton, 93 (1.4%).

**TOP REPORTING CITIES IN NEW JERSEY
ESTIMATED INCIDENCE OF IDENTITY THEFT IN 2004**

City	Percentage of New Jersey's		Estimated Identity Theft	
	ID Theft	Population	Projected Victims	Rate
Newark	4.1%	3.2%	12,394	4.4%
Jersey City	3.9%	2.8%	11,703	4.8%
Paterson	1.7%	1.8%	5,206	3.4%
Elizabeth	1.4%	1.4%	4,285	3.5%
Trenton	1.4%	1.0%	4,285	5.0%
TOTALS	12.6%	10.2%	37,872	4.3%
BALANCE	87.4%	89.8%	262,985	3.4%

There were no New Jersey metropolitan statistical areas ranked on the FTC list of the 49 Major Metropolitan Areas for identity theft in the United States during 2004.

CONCLUSION: *The incidence of identity theft in New Jersey is broadly endemic throughout the state and is not concentrated in any metropolitan area or major city.*

SECTION IV

ESTIMATING THE COST OF IDENTITY THEFT IN NEW JERSEY

The FTC's 2003 Identity Theft Survey provides several metrics that can be used to estimate victim losses in each state. The first element is the average hours required by victims to restore their identity: true identity theft, 60 hours; account takeover, 15 hours; and all identity theft-related frauds, 30 hours. The out-of-pocket victim costs for each type of fraud is: identity theft, \$1,180 per victim; account takeover, \$160; and average identity-theft related frauds, \$500 per victim. The cost of this crime to businesses and enterprises was estimated at: identity theft, \$10,200 per victim; account takeover, \$2,100; and all identity theft-related frauds, \$4,800.

COST OF IDENTITY THEFT IN NEW JERSEY DURING 2004
SEGMENTED BY FRAUD CATEGORY

Type of ID Theft Fraud	Incidents (Estimated)	Enterprise Losses (Estimated Millions \$)	Victim Losses (Estimated Millions \$)	Victim Resolution (Estimated Hours)
Credit Card Fraud	109,000	\$737	\$81	4,460,000
Phone/Utilities Fraud	54,000	\$253	\$26	3,100,000
Bank Fraud	40,000	\$220	\$23	1,350,000
Employment-related Fraud	28,000	\$134	\$14	840,000
Gov't Docs and Benefits Fraud	22,000	\$107	\$11	1,340,000
Loan Fraud	20,000	\$95	\$10	1,160,000
Other Forms of ID Theft	71,000	\$396	\$42	2,440,000
TOTALS	344,000	\$1,942	\$207	14,690,000

CONCLUSION: Enterprise losses attributable to identity theft during 2004 have been estimated at \$1.9 billion. In addition, direct monetary losses sustained by victims in New Jersey during the same period were approximately \$209 million. New Jersey residents lost over 14 million hours to the complicated process of identity theft resolution during the past year.

SECTION V

CRIME COMPARISONS: PROPERTY CRIMES VS IDENTITY THEFT

The Uniform Crime Reporting (UCR) Program defines “property crime” to include burglary, larceny-theft, and motor vehicle theft. The 2003 UCR⁶ reports 10.5 million property crimes compared to 9.9 million cases of identity theft. The Nation’s rate of property crime offenses in 2003 was measured at 3,588 offenses per 100,000 inhabitants versus 4,600 identity theft offenses per 100,000. The estimated dollar loss attributable to property crimes (excluding arson) was nearly \$17 billion compared to \$53 billion in identity theft-related losses. The average property crime loss per incident was \$1,619 versus the average identity theft loss of \$5,300 per incident. Among the individual property crimes, the 2003 estimated dollar losses were \$3.5 billion for burglary, \$4.9 billion for larceny-theft, and \$8.6 billion for motor vehicle theft. The estimated burglary rate was 740.5 offenses per 100,000 inhabitants producing an average loss of \$1,626 per offense; larceny-theft was estimated at 2,414.5 offenses per 100,000 with an average loss of \$698; and motor vehicle theft at 433.4 offenses per 100,000 with an average loss rate of \$6,797 per incident.

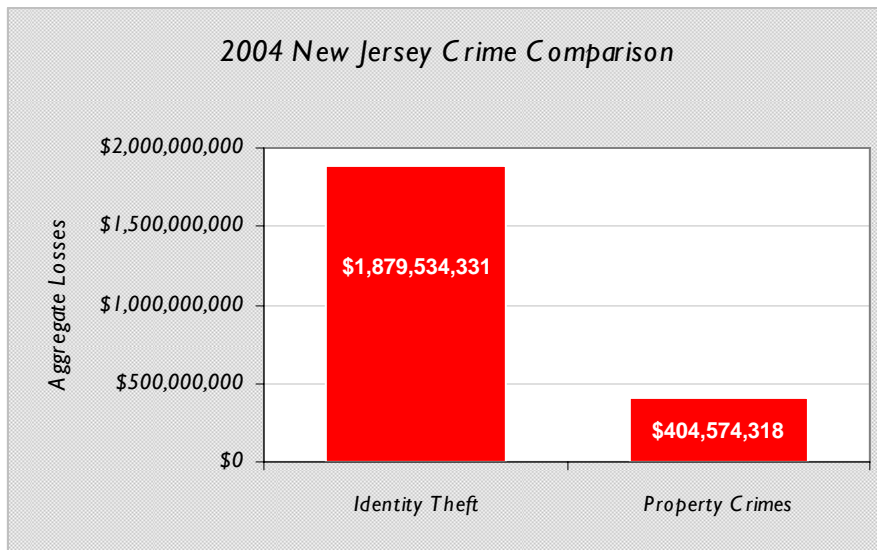
**NEW JERSEY CRIME COMPARISONS DURING 2004
IDENTITY THEFT VERSUS PROPERTY CRIMES**

Geographic Area	Property Crimes (Million \$)				Identity Theft (Million \$)		
	Burglary	Larceny Theft	Vehicle Theft	Total Loss	Enterprise Loss	Victim Loss	Total Loss
Newark	\$3.7	\$3.8	\$40.9	\$48.5	\$80	\$9	\$89
Jersey City	3.6	3.2	14.0	20.7	76	8	84
Paterson	2.4	1.7	8.7	12.8	34	4	38
Elizabeth	1.8	2.0	11.3	15.1	28	3	31
Trenton	1.7	1.8	7.4	10.9	28	3	31
State of New Jersey	\$70.6	\$99.0	\$235.0	\$404.6	\$1,697	\$182	\$1,879

The severity of identity theft in the U.S. is three times greater than the aggregate of all U.S. property crimes (\$53 billion versus \$17 billion) committed in 2003. This is a shocking comparison even though the numbers of victims are roughly equal (9.9 million versus 10.5 million). While politicians and bureaucrats leap at the opportunity to report improving crime conditions such as this statement from the FBI, “the number of robberies in 2003 fell 33.2% from the 1994 figure,” none seem willing to state the obvious – identity theft has become the crime of choice.

⁶ Federal Bureau of Investigation. *Crime in the United States: 2003*. U.S. Department of Justice. Washington, D.C.

Consider that the average loss from bank robbery was \$4,767 in 2003. Remember that the average loss from all forms of identity theft was reported by the FTC at \$4,800. From the criminal's standpoint, the risk versus reward of identity theft compared to other crimes is extraordinarily favorable. It doesn't take an MBA to figure out that the return on stealing credit card numbers far outweighs the risk of walking into a bank with a loaded weapon. The .38 Special is being replaced by the optical mouse!



CONCLUSION: The comparative impact of identity theft in New Jersey versus property crimes is more dramatic than national averages. New Jersey's total identity theft-related enterprise and victim losses (statewide) during 2004 have been estimated at \$1.9 billion – 4.6 times greater than all losses resulting from burglary, larceny theft, and motor vehicle theft during the same period.

SECTION VI
IDENTITY THEFT RELATIVE TO HOUSEHOLDS

If rates of identity theft are expressed in terms of households, rather than per capita, an even more ominous trend becomes apparent. For comparative purposes, it

should be noted that the national victimization rate for U.S. households during 2004 was 9.4%. Alarming, total losses resulting from identity theft averaged \$502 per U.S. household during the same period.

IDENTITY THEFT IN NEW JERSEY
ESTIMATED RATES PER HOUSEHOLD DURING 2004

<i>City or Other Geographic Description</i>	<i>Population Census Yr 2003</i>	<i>Households Census Yr 2000</i>	<i>Projected ID Theft Cases</i>	<i>Household Victim Rate</i>
<i>Newark</i>	278,551	91,382	12,394	13.6%
<i>Jersey City</i>	241,443	88,632	11,703	13.2%
<i>Paterson</i>	151,593	44,710	5,206	11.6%
<i>Elizabeth</i>	123,970	40,482	4,285	10.6%
<i>Trenton</i>	86,130	29,437	4,285	14.6%
TOTALS	881,687	294,643	37,872	12.9%
BALANCE IN STATE	7,756,709	2,770,002	262,985	9.5%
NEW JERSEY TOTALS	8,638,396	3,064,645	300,857	9.8%

CONCLUSION: The average household victimization rate in the State of New Jersey was 9.8% during 2004. Identity theft in Trenton was significantly worse, with a household victimization rate of 14.6%. Newark and Jersey City also demonstrated higher incidence rates.

2 August 2005