

OCMUSA Conference Call
Survival under FACTA and the new FTC Disposal Rule
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Alert: FACTA “Fair and Accurate Credit Transactions Act” in effect 6-1-2005 FTC Disposal Rule compliance is now mandatory for all creditors.

Starting June 1, 2005, any business, large or small, that uses consumer reports must store and dispose of this sensitive information “properly.” The rule applies to individuals and businesses that use consumer credit reports and credit information for a business purpose. Proper disposal of consumer report information is required by recent amendments to the federal Fair Credit Reporting Act (FCRA), with details spelled out in regulations adopted by the Federal Trade Commission (FTC).

The new rule now also brings the prior document retention rules of the ECOA “Equal Credit Opportunity Act” to the forefront of attention by “creditor” businesses. Not only does a business have to retain the information but they also have to protect it from fraudulent use.

The goal of the Disposal Rule is to reduce identity theft and other fraud through greater protection of consumer information. The rule applies to consumer reporting agencies like credit bureaus, employment or tenant screening companies, as well as companies that compile information and sell reports on medical history, check writing history and insurance claims. Significantly, the Disposal Rule also applies to any business that *uses* such reports.

Discarding consumer reports in a trash can is no longer just an irresponsible business practice -- *It's now illegal*. Although the Disposal Rule covers only a specific kind of sensitive data – information in or derived from consumer reports – the new rule could affect *millions*. For example, you may have to comply with the Disposal Rule if you are:

- A small business owner that routinely conducts a criminal background check on prospective employees.
- A parent who obtains a credit report on a prospective nanny.
- A landlord who obtains a tenant history report on a prospective tenant.
- An automobile dealer.
- A private investigator.
- A business that disposes of information for other businesses.

The Disposal Rule applies to information in paper, computer or any other format. The rule does not require specific measures for disposal. Rather, it requires “reasonable” disposal measures, so the end result is that personal information is unreadable or incapable of being reconstructed.

The federal banking agencies will also publish a version of the Disposal Rule (Office of Comptroller of the Currency, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Federal Reserve Board), the National Credit Union Administration, and the Securities and Exchange Commission).

In addition, many companies covered by the Disposal Rule are “financial institutions” and required by the federal Gramm-Leach-Bliley Act (GLBA) and federal regulations to safeguard customer data, which includes proper disposal. Companies subject to the GLBA rules are also subject to the new Disposal Rules.

Links:

ECOA

<http://12.25.164.240/eoca.pdf>

FACTA

<http://www.ftc.gov/bcp/online/pubs/alerts/disposalalrt.htm>

<http://www.ftc.gov/os/2004/11/041118disposalfrn.pdf>

http://www.consumer.gov/idtheft/business_curbidt.html

FCRA

<http://www.ftc.gov/os/statutes/031224fcra.pdf>

HIPAA

<http://www.hhs.gov/ocr/hipaa/>

Frequently Asked Questions

ECOA Record Retention Rules:

The document retention rules come from Section 202.12 the ECOA “Equal Credit Opportunity Act” (Regulation B) of 1997. Businesses should be currently storing credit applications and information related to the credit decisions to be compliant since the inception of the ECOA. Retention requirements are 12 months for business credit & 25 months for consumer credit, there are also many other factors of the ECOA that business should be familiar with.

<http://12.25.164.240/202-12.pdf>

Why do I need to retain credit applications and related documents?

Under the ECOA you must be able to answer any questions regarding a consumer’s credit decision for a minimum period of 25 months, and you must be able to produce the original documents or copies if needed.

Applicability of the ECOA to your business:

The ECOA applies to ALL creditors and most types of loan transactions, the very limited exceptions are detailed in section 202.3. They are mainly limited to public and government credit and “incidental credit” simply defined as credit with less than 4 payments or credit with no finance charge.

<http://12.25.164.240/202-3.pdf>

What are the penalties for non-compliance?

Failure to comply with the FTC Records Disposal Rule can result in \$2,500 fines, as well as failure to comply with the ECOA can result in Federal and State penalties up to (or in some cases exceeding) \$10,000 per violation. It is also possible for private party civil damages to be introduced. In the case of a successful action to enforce civil liability, the plaintiff(s) could also be entitled to attorney's fees.

Are scanned documents accepted by the IRS?

Yes. According to ruling Rev. Proc. 97-22, the IRS allows one to prepare, record, transfer, index, store, preserve, retrieve, and reproduce books and records by either electronically imaging hard copy documents to an electronic storage media, or transferring computerized books and records to an electronic storage media that allows

them to be viewed or reproduced without using the original program.

Can I destroy my original documents once I have captured an acceptable image?

Yes. According to ruling Rev. Proc. 97-22, the IRS permits the destruction of the original hard copy books and records and the deletion of original computerized records after a taxpayer completes testing of the storage system.

http://12.25.164.240/irs_rp97_22.pdf

What is Scan123 and how does it work?

Scan123 is an online service provided by OCMUSA, it provides secure storage of your businesses documents including customer credit applications, credit reports, and any other sensitive information that requires protection or just for any documents that need to be routinely accessed quickly and easily without re-filing or future file maintenance.

How easy is Scan123 for my staff to use?

The online flow and layout is designed like the familiar file cabinets everyone has used for years ... its just that Scan123 is digital! Simple and easy to learn Scan123 has file cabinets which contain file folders and within each file folder all related documents are stored and you can also easily add or delete documents from the folders at any time if you have the proper user security permissions.

What is the difference between security levels and how do I control access by my staff?

Scan123 provides high security encrypted storage of your businesses customer credit applications, credit reports, and any other sensitive information that requires protection.

Simply scan the customer's credit application, credit report and any other sensitive information governed by the FTC Disposal Rule. Simply enter the customer last name, a key index field, and then Scan123 automatically stores them in an encrypted system with 3 tier protection to ensure your sensitive data is safe-guarded. We also have many bar code and data import interfaces from accounting or dealership management systems so many times no hand entry is required.

Level 1 (for documents not containing personal information)

- User Login password protection
- File Cabinet Password Protection
- IP access restriction (limited access only from networks you specify)

Level 2 (For high security documents Includes Level 1)

- Encrypted Virtual Private Network (VPN) connection directly to the Scan123 servers. Every keystroke and all information transmitted to and from the server is encrypted.
- Machine specific option – limit to only the actual PC you allow to access.

The simple fact is that your business needs to be in control of your customer's credit information for 25-months and while in custody of these documents you will need to be able to provide these documents to the customer and regulatory agencies such as the FTC upon request.

Tell me about the security of my data and backups?

The Scan123 servers are located in our locked and alarmed concrete and steel enterprise level facilities. Only approved OCMUSA technical staff has physical access to the document servers. With completely redundant live replication database and application servers you don't have to worry about the safety of your documents. When you upload any document to Scan123 it is immediately replicated on our onsite cluster of storage servers and within a couple minutes it's sent to our offsite backup servers for additional safety and redundancy.

What document image file format is used by Scan123 and will there be software and readers available in the future?

Scan123 uses the PDF format for image storage.

Invented by Adobe, Portable Document Format (PDF) is the published specification used by standards bodies around the world for more secure, reliable electronic document distribution and exchange. Adobe® PDF has been adopted by enterprises, educators, and governments around the world to streamline document exchange, increase productivity, and reduce reliance on paper. ***PDF is the standard format for electronic case filings in U.S. federal courts.***

Preserve the look and integrity of your original documents — PDF files look exactly like original documents and preserve the fonts, images, graphics, and layout of any source file regardless of the application and platform used to create it.

Share documents with anyone — PDF documents can be shared, viewed, and printed by anyone, on any system, using free Adobe Reader® software and software provided by many other vendors — regardless of the operating system, original application, or fonts.

Easy to use — PDF files are compact and easy to exchange. Creation can be as simple as clicking a button from many applications including Microsoft Word, Excel, and PowerPoint.

Searchable — PDF files have full text search features for locating words, bookmarks, and data fields in documents.

What documents should I consider storing in Scan123?

Service repair orders, credit applications, credit reports, service contracts, checks and deposits, employee files, etc. Any type of document that can be imaged Scan123 can easily index and organize so you never have to file, re-file, store, or purge again!

Can I also store PC files and other documents?

Yes, Scan123 doesn't just store scanned documents, you may store any type of document or image file in a Scan123 document folder. The simple upload interface allows you to choose any file on your PC and 1-click upload to the server. You can even send in a file directly into Scan123 via email from any address that you have authorized in your user security table.

Where do I save money or become more productive in my business with Scan123?

Most companies have filing cabinets full of hard copies that must be initially filed and periodically purged, moved and stored. Every time you access a document it must be accurately re-filed in a timely manner. With Scan 123 your employees never have to leave their work area to retrieve files and you have full control over file security. Simply scan your documents and never re-file, purge files, or search for lost files again! simple convenientproductive and secure!

Is Scan 123 affordable for my business?

Scan123 was born out of the need to provide safe, effective offsite document storage and retrieval at a reasonable cost to the consumer. Most document storage companies charge expensive setup fees, additional fees for multi-user licenses, and require expensive equipment, then sometimes even a fee per-scan and maybe a support contract. That can amount to thousands of dollars. But not with Scan123, OCMUSA is an experienced Web Application Service Provider with 100's of business clients in the US and Canada and we reliably provide you with our secure service for a small flat monthly fee. As long as you are a current Scan123 subscriber there is no additional document storage fees regardless of the disk space required. Scan123 service plans start at \$349 per month for the first 5000 single or double sided document pages per month with unlimited access for users from the contracting business location.

What if I want a copy of my data to keep onsite or if I decide to cancel my Scan123 service what happens to my data?

Both image files and database index information can be sent to you at any time via CD's or DVD's at a minimal charge. We provide you 1 copy yearly at no cost upon request and recommend you lock it away in a safe place. If you have a large amount of data we can

transfer it directly to a portable hard drive and ship it to you. The image files are returned unencrypted in the native .PDF format and the index data in the .CSV format so they can be easily imported into a different system.

The files deleted on our hard drives are electronically shredded by overwriting them multiple times using customized methods of the Gutmann and NISPOM-DOD (Department of Defense Specifications)

<http://12.25.164.240/gutmann.pdf>

<http://12.25.164.240/nispom.pdf>

Tell me about the E-Forms functionality in Scan123?

E-Forms is a quick access document library and is included in Scan123 as a choice on the main menu. E-Forms has been used for several years by our own multiple location businesses with 200+ employees and we couldn't live without it so we decided to bring this efficient option to all our customers. E-Forms is the easy access solution for all your company forms, policies, procedures, hiring packets, phone extension list's, employee manuals, fax cover sheets, schedules, telephone scripts etc.

Keep any important documents updated and print on demand instead of printing and distributing forms that just need to be thrown away because of updates or even worse, copied multiple times into a blur! With Scan123 E-Forms the entire staff and all locations receive new forms and updates immediately and by printing on demand you save money and the documents are current, professional, and readable vs. a 5th generation copy of an out of date or even illegal form. With E-Forms you can assign 1 or more staff to have the user permissions to upload and maintain your document library. E-Forms is simple and efficient and included with Scan123!

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OCM products include:

OCM Online Customer Management System-
The only real-world CRM system for auto dealers with built in FTC
and State No-Call-List management at an unbelievable price.
<http://www.ocmusa.com>

CallAudit- Toll Free number call recording and statistics at ½ price of
our competitor's products – If you really want to know Who's Calling,
when they called, what was said, and how to put the deal together,
CallAudit from OCM is the answer!
<http://ocmusa.com/callaudit.cfm>

PowerCall – Automated calling from OCM or database lists, marketing,
follow-up, collections, etc. filtered by all available No-Call Lists.
Ask us how to save manpower by delivering 1000's of calls per hour!
http://ocmusa.com/powercall_faq_front.cfm

Scan123 – Our affordable, safe, secure, and encrypted offsite document
storage and retrieval solution for any business.
<http://www.Scan123.com>

CheckCall – The affordable, web based solution that allows every
employee in your company, regardless of location fast and easy access to
state and federal do not call lists, internal do not call lists, fax and email
lists, as well as your Company's policies and procedures. And now easily
search the OFAC database required under the USA Patriot Act.
<http://www.CheckCall.com>

CivicServices - Our web-based CitizenCare™ software enables and city or
county government an easy and effective method to log, track, and resolve
the everyday flow of information from local citizens.

<http://www.CivicServices.us>

PictureAds – Classified ad image hosting and support services used by major newspapers nationwide.

<http://www.PictureAds.com>

Managed Floor™ - Quarterly round table seminars focusing on the Managed Floor advanced sales system and proven customer development center strategies and management for retail business owners and general managers.

<http://www.ManagedFloor.com>