Consumer Practices to Reduce Identity Theft Risk: An Exploratory Study

An empirical study was conducted to assess the frequency of performance of identity theft risk-reduction practices using data collected from an online self-assessment tool. Identity theft is the stealing of a victim's personal information to commit a crime such as making fraudulent charges on a credit card.

Relatively little data exist about consumers' individual risk exposures and actions that they are taking, or not taking, to reduce their chance of becoming a victim of identity theft fraud. One recent study by Milne (2003), however, explored the extent to which consumers protect themselves from identity theft. The study used two small samples, one a cross section of consumers and one of college students. Risk reduction actions performed least frequently by students were: picking up new checks at the bank, ordering credit reports annually, and finding out how personal information will be used before providing it to marketers. Those performed least frequently by the consumer sample were: not carrying a Social Security card in their wallet, picking up new checks at the bank, and ordering an annual credit report.

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Methodology

In 2003, Rutgers Cooperative Extension introduced an online *Identity Theft Risk Assessment Quiz, which* is archived at www.rce.rutgers.edu/money/identitytheft/default.asp. The quiz includes 20 questions, each weighted between 1 to 5 points apiece so that total scores can range from 20 to 100. The higher the total score, the more frequently a respondent is practicing identity theft risk reduction strategies.

A Likert-type scale is used for each of 20 questions about specific identity theft risk reduction strategies: The quiz also includes seven demographic questions that are used in data analysis. Online respondents receive their total score, an interpretation of the score, and a list of suggested practices to reduce their chances of becoming an identity theft victim (O'Neill, 2003).

Sample

Data were collected from 287 respondents in 41 states and Washington, DC, and four non-U.S. residents, between January 29, 2003 and January 5, 2004. The four non-U.S. residents were not included in the data analyses. Information for marital status was collected only after September 2003, in which 130 respondents reported their marital statuses. More than two-thirds (68.3%) of respondents were female and three-quarters (75.5%) were under age 45. Over half (52.6%) had a bachelor's degree or higher and almost six in ten (57.8%) had a household income under $50,000. Almost a third (31.7%) of the sample came from one of the six states (CO, GA, MA, MD, NJ, and VT) that mandated free credit reports for their residents upon request at the time data were collected.

Findings

Mean scores for individual quiz items ranged from 2.1 to 4.4. Medians and modes for most items were 4 or 5, except for three questions, which indicates that many consumers do practice a majority of recommended behaviors to reduce the risk of identity theft. The three risk reduction practices that are performed the least frequently were checking a credit report annually for errors, having a post office box or locked mailbox for incoming mail, and avoiding the carrying of a Social Security card and any type of identification card with a Social Security number on it.

ANOVA tests were used to explore differences in frequency of identity theft risk reduction practices by demographic variables. Due to small cell sizes, several variables were recoded to insure that each cell had adequate observations. Age differences were found in 11 items and the total score. Consumers younger than 25 years old were more likely to have a lower total score compared to their older counterparts (63 vs. 71.9-74.5). Income differences were found in 8 items and the total score. Lower income consumers were likely to report a lower total score than consumers with a higher household income (65.4 vs. 72.7-74.1).

Education differences were found for four quiz items and the total score. Consumers with some college or a lower educational level were more likely to have a lower score, compared to consumers with a higher educational level (68.1 vs. 71.8-74.8). Racial differences were found in four quiz items and the total score. Nonwhite consumers had a higher average score than whites: 74.9 vs. 69.9. Differences in four quiz items and the total score were also found in terms of marital status. Married consumers are likely to have a higher score than singles (73.3 vs. 66.4). Gender differences were found in three quiz items.

Checking a credit report for evidence of identity theft was the least reported practice by this sample of consumers. Six states with respondents to this survey, Colorado, Georgia, Maryland, Massachusetts, New Jersey, and Vermont mandate free credit reports. Consumers from these six states were grouped together and compared with consumers from other states. The ANOVA result indicates that there was no difference, in frequency of requesting credit reports, found between these two groups of consumers.

Findings

This exploratory study is limited in generalizability because the sample was small, convenient, and non-random. Selection bias is also undoubtedly present because some respondents were specifically directed to the quiz Web site by Extension educators and college faculty. Nevertheless, the results are instructive and indicate identity theft risk reduction strategies that are frequently practiced and those that need more attention.

A major finding is that one of the best methods of uncovering identity theft, checking a credit report (Identity Theft, 2003), was the least frequently performed identity theft risk reduction strategy in this study. Therefore, it is not surprising that many identity theft victims don't realize that their identity has been stolen until months, even years, after the crime occurs. For some reason, perhaps cost or the time or know-how that it takes for a credit file request, many people are not taking advantage of a valuable resource for limiting the amount of damage that an identity thief can cause. These results are consistent with those found by Milne (2003) and suggest a strong need for educational programs and other support services to help consumers regularly review their credit file.

Another area of weakness indicated by quiz respondents was carrying around a Social Security card and/or some type of identification card (e.g., employee ID or health insurance/ Medicare card) with a Social Security number imprinted on it. Many people apparently feel that carrying around these cards is essential and are not heeding warnings to "travel light" without ID that contains sensitive data. There is a viable alternative, however: carrying around an original card only when absolutely necessary (e.g., a health insurance card on days that you are visiting a health care provider) and otherwise carrying around a photocopy of the card with the Social Security number deleted.

Continued research is needed of the identity theft risk reduction practices of Americans to inform educational programs and risk reduction campaigns. Most studies of identity theft to date have been limited to aggregating the cost and impact of this crime and how victims became aware of it. Research of individual identity theft risk reduction strategies with larger, more diverse, and, preferably, random samples would increase the generalizability of research results.

The full paper is available from the authors upon request.

References

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Endnotes

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