



INTELLIGENCE BULLETIN

Methamphetamine-Related Identity Theft

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Key Findings

- Methamphetamine abusers and distributors are increasingly engaging in identity theft; methamphetamine abusers are doing so to acquire funds for drug purchases, while methamphetamine distributors are committing identity theft to generate income for use in their trafficking operations.
- Methamphetamine-related identity theft appears to occur most often in southwestern and western states where distribution and abuse of the drug are most prevalent.

Overview

Federal Trade Commission (FTC) data show that reported incidents of identity theft in the United States rose significantly between 2000 and 2005 before decreasing slightly in 2006 (see Figure 1). Moreover, the Better Business Bureau estimates that approximately 8.9 million Americans had their identities stolen in 2006 at a cost of \$56.6 billion that year, up from \$54.4 billion in 2005.¹ Contributing to this problem are rising levels of methamphetamine-related identity theft reported by federal, state, and local law enforcement officials.² Law enforcement reporting indicates that methamphetamine users commonly engage in identity theft to acquire

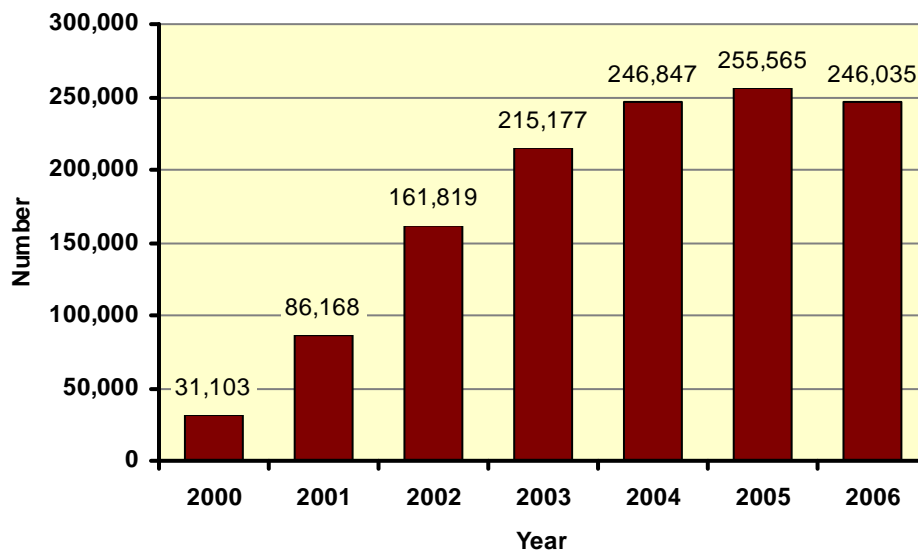


Figure 1. Number of Reported Identity Thefts, 2000 to 2006.

Source: Federal Trade Commission.

1. It appears from these data that a significant number of identity theft victims do not file a complaint with the Federal Trade Commission.
2. Data specific to methamphetamine-related identity theft are not currently available.

another person's personal information, which they either sell to obtain money for methamphetamine purchases or exchange for the drug. The prevalence of such identity theft is rising in many areas where rates of methamphetamine distribution and abuse are high or increasing.

Methamphetamine-Related Identity Theft

Some methamphetamine abusers engage in various forms of identity theft in order to obtain methamphetamine. For example, methamphetamine abusers often generate cash by stealing and subsequently cashing personal checks or by using stolen credit cards to purchase merchandise that they sell for cash or trade for methamphetamine. Some abusers also trade stolen credit cards or personal documents (such as checks, bank statements, workplace pay statements, etc.) to distributors in exchange for methamphetamine. The distributors then sell the stolen credit cards and documents or provide them to methamphetamine producers as payment for the drug. For example, the Central Valley California High Intensity Drug Trafficking Area (HIDTA) reports that drug trafficking organizations (DTOs) and criminal groups that traffic methamphetamine in the HIDTA region organize groups of methamphetamine abusers and direct them to steal personal identity documents in exchange for drugs or cash. Identities traded for methamphetamine are then used by the DTOs and criminal groups in a variety of ways, including:

- To launder drug proceeds:
 - By opening bank accounts in victims' names to deposit, transfer, and withdraw funds.
 - By using victims' identities to transfer large sums of money through money services businesses and to purchase money orders in amounts that require proof of identification.
 - By applying for mortgages in victims' names.
 - By using victims' identities to acquire online credit and to make purchases.

- To supply criminal fugitives within the DTOs and criminal groups with fresh identities in order to evade law enforcement, incarceration, or even deportation (in the case of illegal aliens).
- To sell for cash to brokers, who resell the identification documents to other criminals for their use.
- To purchase precursor and essential chemicals with fraudulent credit cards or checks.

Law enforcement reporting indicates that methamphetamine abusers typically acquire another person's personal information and identification documents by sorting through victims' garbage as well as through mail theft, car break-ins, and Internet and e-mail scams. Law enforcement reporting also reveals that methamphetamine abusers commonly form organized groups to facilitate identity theft. The groups typically consist of Collectors, Converters, and Passers, who work within a specific geographic area and are responsible for specific tasks.

- Collectors acquire identification documents through theft of personal information—usually from mail boxes, dumpsters, landfills, and parked cars.
- Collectors provide stolen identification documents to Converters, who use the information to establish fraudulent bank and credit accounts and to obtain fraudulent checks and monetary instruments.
- Passers use the fraudulent accounts and instruments to purchase expensive consumer items in person or to cash fraudulent checks.

Law enforcement reporting indicates that methamphetamine is the drug most commonly implicated in the drug-related identity theft complaints reported each year. For instance, law enforcement officials in Arizona, Arkansas, California, Colorado, Kansas, Oregon, and Washington indicate that stolen mail and other documentation consistent with identity thefts have become increasingly commonplace at locations investigated under methamphetamine-related search warrants. Moreover, data

from the National Association of Counties (NACo) *2006 Survey of U.S. Counties* show that the percentage of sheriffs reporting methamphetamine-related identity theft in their county increased 4 percent in just 1 year—from 27 percent in 2005 to 31 percent in 2006.³ However, a precise comparison of the rate of methamphetamine-related identity theft with rates of identity theft associated with other drugs is not feasible because drug-specific identity theft statistics are not currently collected by any federal, state, or local agency. Nonetheless, 2006 FTC data show that rates of reported identity thefts are highest in states that have high and sustained levels of methamphetamine distribution and abuse. For example, Arizona, Nevada, California, Texas, and Florida (all states with well-documented and long-standing concerns regarding high levels of methamphetamine distribution and abuse) ranked first through fifth for identity theft complaints per 100,000 population (see Table 1).

Table 1. Top 5 States for Identity Theft Complaints per 100,000 Population, 2006

State	Complaints per 100,000
Arizona	147.8
Nevada	120.0
California	113.5
Texas	110.6
Florida	98.3

Source: Federal Trade Commission.

Outlook

In areas of the country where methamphetamine trafficking is increasing, such as in the Great Lakes, Southeast, and Mid-Atlantic Regions, identity theft will quite likely increase.

The incidence of identity theft and methamphetamine trafficking and abuse have increased and gained national attention in recent years. Likewise,

the awareness that the two crimes are linked has increased among federal, state, and local law enforcement. To this end, in January 2007 The Methamphetamine and Identity Theft Study Act of 2007 (H.R. 246) was introduced⁴ for the purpose of initiating an 18-month national study that will culminate in a report to Congress on the relationship between methamphetamine and identity theft. If H.R. 246 is enacted, the study will evaluate:

- The possible outcomes of imposing sentencing enhancements if a person commits methamphetamine-related identity theft.
- The feasibility of establishing a federal-wide database for information sharing on methamphetamine-related identity theft among federal, state, and local law enforcement agencies.
- The tendency of methamphetamine abusers to commit specific types of identity theft.

Growing rates of methamphetamine distribution and abuse and ensuing increases in methamphetamine-related identity theft very likely will expose the public to other forms of fraud as methamphetamine traffickers find new ways to exploit stolen identification information. For instance, methamphetamine abusers may begin to use stolen identities to seek treatment for methamphetamine-related illnesses or may sell identities to individuals for their use in seeking medical treatment, prescription drugs, and even insurance payouts from a health insurance provider. The effects of such medical identity theft parallel those of financial identity theft; however, in addition to financial losses, victims' medical records could be altered without their permission. Incorrect entries on a person's medical record could lead to exclusion from certain types of employment, preclusion from acquiring health insurance, misdiagnoses, injury, and even death if the victim receives medical care based on incorrect information in his or her medical records.

3. National Association of Counties (NACo), *The Meth Epidemic in America: The Criminal Effect of Meth on Communities, A 2006 Survey of U.S. Counties*, July 18, 2006.

4. The Act was introduced in April 2005 but failed to be enacted and was reintroduced in January 2007. In February 2007 the Bill was referred to the House Judiciary Subcommittee on Crime, Terrorism, and Homeland Security.

Sources

Federal

Executive Office of the President

Office of National Drug Control Policy
High Intensity Drug Trafficking Areas
Arizona
Central Valley California

Federal Trade Commission

Bureau of Consumer Protection
Division of Consumer and Business Education

U.S. Postal Inspection Service

State

Arizona

Attorney General's Office

California

Computer and Technology Crime High-Tech Response Teams

Los Angeles
Sacramento
San Diego
San Francisco
San Jose

Office of Senator Dianne Feinstein

Washington

Office of Senator Maria Cantwell

Other

The Council of Better Business Bureaus

National Association of Counties

World Privacy Forum



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