

April 10, 2007

What Compliance Looks Like: FTC Disposal Rule

Like Sister Ann said in grade school, "We continue with the Rules!" Since the first of the year, in our journey to understand what compliance looks like, we've reviewed the Acts and have started on the Rules. The past three columns have discussed the FTC Used Car Rule, the IRS Cash Reporting Rule and the Privacy Rule. This week: The FTC Disposal Rule.

Background

Enacted under The FACT Act late 2003, and effective in 2005 as the Disposal Rule, it requires certain businesses that access credit bureau reports to have a process to dispose of sensitive information. This is yet another rule designed to help stem the tide of identity theft.

Basic Dealer Responsibilities Under the Privacy Rule

Whenever I happen on one of the televangelists preaching his or heart out on Sunday morning TV, I notice that they always read verbatim from the Bible. No paraphrasing will do.

Sometimes, that is the best way to convey information. Instead of trying to paraphrase the FTC's recommended requirements for dealers' compliance with the Disposal Rule, I just quote them verbatim from the FTC's website.

The Disposal Rule requires disposal practices that are reasonable and appropriate to prevent the unauthorized access to – or use of – information in a consumer report. For example, reasonable measures for disposing of consumer report information could include establishing and complying with policies to:

- Burn, pulverize, or shred papers containing consumer report information so that the information cannot be read or reconstructed;
- Destroy or erase electronic files or media containing consumer report information so that the information cannot be read or reconstructed;
- Conduct due diligence and hire a document destruction contractor to dispose of material specifically identified as consumer report information consistent with the Rule. Due diligence could include:
 - Reviewing an independent audit of a disposal company's operations and/or its compliance with the Rule;
 - Obtaining information about the disposal company from several references;
 - Requiring that the disposal company be certified by a recognized trade association;
 - Reviewing and evaluating the disposal company's information security policies or procedures.

Make it Part of Safeguards Program

Common sense suggests that the policy, procedure and process to implement the Disposal Rule should become part of a dealer's Safeguards Program. By doing so, and properly executing the requirements of the Safeguards Program will provide employee training and periodic auditing of the Disposal Rule as well.

Gil Van Over is the President and founder of gvo3 & Associates (www.gvo3.com), a firm that provides F&I and Sales compliance consulting services. Gil also provides expert witness services in F&I related lawsuits.

© 2007 by gvo3 Consulting, LLC. All rights reserv

Published by [Dealer Communications](#)

Copyright © 2007 Horizon Communications Inc.. All rights reserved.

Information in this newsletter is provided by both proprietary and public sources. Dealer Communications makes no claims as to the accuracy of information provided by third party providers.

Powered by [IMN](#)