

Business Owners Risk Losing Their Businesses to Identity Theft

By Robert Slayton, CITRMS

If a business owner's identity is stolen, they run the risk of not just losing their money or credit worthiness, but they might also lose their business.

According to The Institute of Fraud Risk Management, the average business startup loan is close to \$300,000. Most loans are personally guaranteed by the owner of the new company. If it is a loan through the Small Business Administration, personal guarantees are required of every 20%+ owner and key management.

Most loan documents have two provisions that pack a one-two punch for business owners. The first states that if the lending bank "deems itself insecure," the loan may be "accelerated" meaning the business has to come up with the cash. This combined with a "universal default" clause that states if a business owner/executive defaults on ANY account, personal or business, the bank can either accelerate the loan or raise the interest rate which usually means doubling or tripling the amount of interest paid. Most businesses cannot come up with the cash or handle the cost of financing a loan that has doubled or tripled in price.

Banks can invoke one of the clauses if a business owner or executive's personal identity is stolen leading to an account in default or having more credit available than what the bank thinks necessary. Some banks won't sit by and wait until an owner's identity is restored, especially if the theft puts the business itself in jeopardy. One reason banks won't wait is that, according to the latest estimates by the Federal Trade Commission, it could take upwards of 600 hours to clear a person's name. If the theft involves criminal activity by the perpetrator, the victim may never be able to clear up the crime fully.

Business owners and executives need to protect their identities to minimize the possibility of identity theft happening. Here are some recommendations. First, review your credit reports at least annually. The new Fair and Accurate Credit Transactions Act (FACTA) allows everyone to receive one free credit report from each of the bureaus on an annual basis. Go to www.annualcreditreport.com to gain access to your credit report. One recommendation is to order one report every 4 months. Second, shred all mail and documents that have any identifying information: even if it is just a pre-approved offer from a video rental company, preferably using a diamond or confetti cut shredder. Third, owners should sign up for a credit monitoring service. The average monthly cost is between \$11 - \$25/month. This will give them an early warning if someone is tampering with their credit.

Overall, business owners and executives need to be vigilant with both their personal and business records. If they are not, then they are at risk of losing everything they have worked so hard to build.

Robert Slayton is a Certified Identity Theft Risk Management Consultant who consults with businesses and individuals on how to minimize their risk of identity theft and provides identity theft prevention and restoration services. For more information on his services or free information on how to minimize your risk of identity theft, contact

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