

Identity theft, new law about to send shredding on a tear

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Do you shred?

If not, get ready to.

You've heard about shredding. You understand that it's probably a good idea to shred any receipts that have your credit card numbers or other personal information on them to stop identity theft.

You may have seen shredders at the office or noticed bulging trash bags of thin paper strips in the dumpster when you're walking the dog past a local business at night.

But now there's a law with a provision going into effect this summer that says if you employ even one person — a nanny, a yard man — and you have their personal information because you're doing the right thing and paying Social Security taxes, you have to "destroy" the information before you throw it away.

You have to shred it or burn it or pulverize it.

Or you could get sued. Or fined. Or become part of a class-action lawsuit by enraged nannies whose personal information has somehow gotten out.

Bet you didn't know that.

The shredder industry does, and it expects sales to go on a tear.

Shredders are going to become "a household requirement as much as a washer and dryer," says Bob Johnson, executive director of the National Association for Information Destruction (NAID), a paper-shredding industry trade group.

That's because one provision of the Fair and Accurate Credit Transactions Act (FACTA) — the law that also says you get one free look at your credit report each year — will mean an exploding industry will get bigger.

Already, personal shredders are becoming so ubiquitous that Williams-Sonoma in its latest catalog offers its first-ever combination shredder/garbage can for your kitchen (for \$229). And architect Michael Graves has designed a cool shredder for Target (\$35).

InnoDesk makes handheld, battery-operated shredders for use in the car or kitchen or at your desk at work. Each weighs 1.5 pounds and costs \$16.

And Fellowes, a family-owned company that invented the personal shredder in 1990, makes so many shredders that it is twice the size of its nearest competitor, says Jude Rake, president and chief operating officer.

"The reality is: People are afraid of their mail," says Tony Lammers, president of InnoDesk of Beachwood, Ohio.

"They do really strange things to get rid of mail," he says. "They fire up the barbecue and burn it. They use the fireplace. Or they tear up their mail in little bits and pieces and run around the house putting a little bit in this trash can and a little bit in that trash can so that it won't all go out in the same garbage bag."

The fastest-growing crime

They have good reason: Identity theft is the fastest-growing crime in the USA, according to the National Crime Prevention Council. About 7 million people had their identities stolen in the year ended July 2003, according to two studies done by Gartner Research and Harris Interactive.

Each will spend an average of \$1,495 and 600 hours getting his or her finances straightened out, according to the Identity Theft Resource Center. And that's not counting lawyers' fees.

Overall, the market for shredders, including big commercial machines that handle tons of paper at a time, is about \$350 million a year, says Steven Jacober, president of the School, Home and Office Products Association in Dayton, Ohio.

Revenue has been growing in the low double digits every year, he says. The main fuel now is the home and consumer market. Revenue for personal shredders has grown 20% to 25% over the past three years, Jacober says.

In fact, shredders are the fastest-growing segment of the total office products market, Rake says. "We've had some months where our sales have grown 70% from a year ago."

In addition, about 2,000 companies in North America do records destruction; about half of them do it as their primary business. That's three times the number that existed five years ago, according to Johnson of NAID.

About 1,000 mobile units that can pull up to a business and shred paper are roaming the nation now. But many firms just contract with shredding companies that pick up the documents and take them to plants where huge "dump-and-run" shredders handle tons at a time.

The Fair and Accurate Credit Transactions Act was passed in December 2003, but rules were written just recently on the disposal provision. The law requires the destruction — "shredding or burning" or "smashing or wiping" — of all paper or computer disks containing personal information "derived from a consumer report" before it is discarded.

Joining the shredding game

That means that if you do a credit check on your nanny before you hire her — or you get private information from a nanny service that came originally from a credit report — you fall under the rules.

The disposal provision goes into effect June 1. By then, all businesses — whether employing one worker or 1 million — will have to join the shredding game.

"It's going to have a very big upside for people selling small shredders," says Johnson. "A lot of companies that did not comply in the past were the medium- and smaller-sized companies. They were busy running their business or felt they were flying below the radar screen. But now they'll have to comply. Every employer is covered, even individuals."

FACTA is just one of many recent laws aimed at protecting consumer and company privacy, including medical records, credit information and corporate trade secrets. Several states, including Georgia and Wisconsin, already mandate the disposal of records containing personal information. But the federal laws on protection of consumer information have some teeth in them.

If you don't shred and information gets out, there are penalties, according to NAID:

- Civil liability. An employee could be entitled to recover actual damages sustained if his or her identity is stolen as a result of your inaction. Or you could have to pay statutory damages of up to \$1,000 per employee.

- Class-action lawsuits. If large numbers of employees are affected, they may be able to bring class-action suits and get punitive damages from employers.

- Federal fines. The federal government could fine you up to \$2,500 for each violation.

- State fines. States can fine up to \$1,000 for each violation.

This seems to make investing in a shredder — about \$15 to \$250 for a personal shredder to nearly \$2,000 for one for an office — worth it.

Small businesses bear the brunt

While the effect on individuals who employ one or more people could be bad enough, the real impact is more likely to be on small to midsize businesses.

"A small businessman who makes a mistake could bear the brunt of a regulation like this," says James Plummer, policy analyst at Consumer Alert, a non-profit group that focuses on a free-market approach to consumer regulations.

Plummer says there should be more focus on the identity thief and not so much on the companies that have the information that's stolen. "It seems like this law is over-reaching," he says.

Colleen Vulin isn't so sure.

She had her identity stolen about five years ago after making an online purchase. And a hotel employee once used her credit card number to buy items from a catalog. Since then, she and her husband, Chris, of St. Louis have been sensitive about destroying all their personal information. They have two, "maybe three," personal shredders, she says.

"It's really my husband who's shredder-friendly," she says. "I'll be in bed, and all of the sudden in the middle of the night I'll hear the hum of the shredder going."

She laughs.

"The next day, there will be little strips of paper all over the floor in the basement."