

C. Red Flags Rule and Gov't Agencies, Non-Profits, and Schools

1. Does the Red Flags Rule apply to government agencies and non-profit organizations?

Yes. If the activities of the government agency or non-profit organization fall within the statutory definitions of "financial institution" or "creditor," they're covered by the Rule.⁷ For example, cities that operate utilities that regularly bill customers after they've received services or colleges that regularly provide student loans or process student loan applications are creditors under the Rule. For more on whether the Red Flags Rule applies to your agency or organization, see Question B.1. and B.15.

2. What about municipalities, cities, or counties that send tax bills, issue parking tickets, or impose fines? Are they "creditors" under the Rule?

No. Financial obligations like that are not considered "credit" for purposes of the Red Flags Rule. In this context, "credit" assumes an underlying transaction that a customer enters into voluntarily. Taxes, fines, and the like don't fit that definition.

3. What if I work for a municipality, city, or county, and we've already determined our activities fall within the Rule's definition of "creditor" or "financial institution"? Do our taxes, fines, etc., become "covered accounts" under the Red Flags Rule?

No. These fees are not covered accounts under the Rule because a person is not establishing a relationship to get goods or services.

4. If we provide a mandatory municipal service that a customer can't decline — like sewage — are we considered a "creditor" under the Rule?

It depends. Generally, there are two types of billing arrangements for mandatory services. As explained in Question C.2., if you bill customers a flat fee, it's like a tax and you wouldn't be a creditor under the Rule. If you charge customers based on how much they use and then send them a bill, it's more like a utility transaction and you would be a creditor.

5. Are schools that regularly offer tuition payment plans creditors under the Rule?

It depends on how they structure the plans. Schools that bill for tuition after students attend class are creditors. Schools that require payment upfront or "pay as you go" — so that students could be barred from class if they don't pay — are not creditors.