First party fraud

Sifting through the noise to find and manage true risk
Introducing:

- Barbara Simcox
  Turnkey Risk Solutions

- Kyle Hinsz
  Experian

- Christopher Danese
  Experian
FIRST PARTY FRAUD

Credit loss or fraud loss?
Barbara Simcox

Turnkey Risk Solutions
Emergence of new threats

Third party fraud has evolved into first party fraud schemes

Third party and first party schemes have the ability to be interchangeable
Industry trends and impacts

- Scheme was “make up, pump up and run up”
- 7,000 fake identities for profit of $200 million
- Scheme was simple; advertise on Craigslist to have fictitious identities added to real people’s accounts
We believe it is one of the biggest [bank frauds] the Department of Justice has ever uncovered.

— Matthew Reilly
New Jersey
U.S. Attorney’s Office
$200 million first party fraud scheme

Scope
7,000 synthetic identities
25,000 credit cards
169 bank accounts
1,800 mailing addresses
80 fraudulent merchants

28 states
AL, AZ, CA, CT, FL, GA, ID, IL, IN, IA, KS, KY, ME, MD, MI, MS, MO, NJ, NY, NC, OH, PA, TX, UT, VT, VA, WA AND WI

8 countries
United States of America, Canada, Romania, Pakistan, India, United Arab Emirates, China and Japan
Impacted industries

Financial Services
Consumer and Business: Auto, Credit Card, Mortgages, Merchant Processors, Retailer, and Market Place Lenders

Healthcare
Healthcare Providers, Hospitals, Pharmaceutical Companies, etc.

Insurance Industry
Auto, Medical, and Personal Liability Providers

Government Services
IRS, SSA, GSA, Medicare/Medicaid, Fannie Mae, HUD, etc.
First party fraud implications

**Regulatory**
- Compliance violations, fines, sanctions, etc.

**Reputational**
- Money laundering
- Terrorism financing

**Operational**
- Increased expense due to redundancy of effort

**Financial**
- Significant fraud or credit losses
### First party fraud

Individual receives credit with no intent to pay

<table>
<thead>
<tr>
<th><strong>First pay default</strong></th>
<th><strong>Bust out</strong></th>
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</thead>
<tbody>
<tr>
<td>Defaults on first payment</td>
<td>Multiple accounts go delinquent</td>
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<tr>
<td>Never makes any payment</td>
<td>Losses exceed credit limit</td>
</tr>
<tr>
<td>Unable to contact in collections</td>
<td>Returned payments</td>
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<tr>
<td>Misleading application information</td>
<td>Credit limit increase requests</td>
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Not all data tells the same story

First party fraud

Application information

Identity verification

Identity link analysis

Bureau data

Device intelligence
Assessing true risk
Synthetic ID life cycle
Detecting through analytic tools

Creation
- Device intelligence
- Identity element link analysis
- Identity verification scores

Use
- Know your customer
- Identity verification scores

Bust Out
- Never pay scores
- Bust out scores
- Device intelligence
Who has the first question?
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