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Solving the complex fraud problem
Preventing losses through a deeper understanding

Solving the fraud problem requires knowledge of each type of fraud — including third-party, first-party, synthetic identity and account takeover — and applying the right treatment at the right time. By doing this, businesses are better equipped to properly identify legitimate customers and provide a first-class experience.

Third-party fraud: Identity theft

Definition
Third-party fraud occurs when a criminal uses another person's identity to open or transact on an account without that person's knowledge.

Concerns
The rapid digital transformation and increasing amount of personally identifiable information available online has made third-party fraud easier than ever to perpetrate.

Resolution
Leverage use patterns, history and recent velocity to separate normal from risky behavior. Then use a hierarchy of verification steps to contact the true identity owner and review suspicious activity.

IMPACT
$16.9 **billion** in identity fraud losses in 2019.[1]

[1] 2020 Identity Fraud Study: Genesis of the Identity Fraud Crisis, Javelin Strategy, April 2020

First-party fraud: Promise to repay

Definition
First-party fraud refers to occasions when an individual makes a promise for future payments in exchange for goods or services but plans not to repay.

Concerns
The strain caused by economic changes over the last year has impacted consumers across the board and could cause a formerly good consumer to develop fraudulent intent.

Resolution
Utilize advanced analytics to track patterns in financial data that could indicate imminent bust out, then implement ongoing risk management strategies at the customer or portfolio level.

IMPACT
50% of financial institutions said first-party check fraud losses rose in 2020.[2]

[2] Key Trends Driving Fraud Transformation in 2021 and Beyond, Aite Group, December 2020

Synthetic identity fraud: Frankenstein identities

Definition
Synthetic identity fraud happens when a criminal creates a new identity with a mix of real and fictitious information.

Concerns
The recent uptick in synthetic identity fraud is likely due to the amount of data available on the dark web from data breaches and a desire to take advantage of the current lending environment.

Resolution
Apply analytics that leverage a detailed, historical and holistic view of a consumer's evolution to spot potential fakes, and utilize document and Social Security number verification to confirm real identities.

IMPACT
$11 **billion** in total potential annual synthetic identity fraud charge-offs in the United States in 2020.[3]

[3] Synthetic identity fraud update: Effects of COVID-19 and a potential cure from Experian, IDC Financial Insights, June 2019

Account takeover fraud: Illicit access

Definition
Account takeover fraud is when a criminal gains unauthorized access to a user's account to make transactions.

Concerns
Reliance on password security, new forms of social engineering and new person-to-person financial services all give criminals more opportunities to take over accounts.

Resolution
Utilize device intelligence and behaviormetrics to thwart both individual attempts and automated attacks; protect the customer experience while minimizing risk with a robust step-up authentication process.

IMPACT
72% **increase** in account takeover fraud in 2019.[1]

[1] 2020 Identity Fraud Study: Genesis of the Identity Fraud Crisis, Javelin Strategy, April 2020

A one-size-fits-all approach won't cut it when it comes to fraud prevention. Instead, a multilayered strategy that automatically applies the correct level of friction to separate out the riskiest account is required. By leveraging data and analytics, device intelligence, and physical and behavioral biometrics in a coordinated fashion, businesses can recognize true identities and apply risk-based treatments appropriate for the specific fraud type.

This layered strategy enables businesses to keep their focus where it belongs, on building and growing customer relationships while enabling consumers to help protect their own information.

Review your fraud strategy today