

Combating Synthetic Identities

The Challenge of Synthetic Identity Fraud

Fraudsters are becoming more sophisticated and their attacks more methodical. They have a knack for exploiting weaknesses in risk management processes and adapting once enterprises strengthen their defenses. Synthetic identity fraud—creating a fake identity to obtain goods or services—is the latest example of fraudsters staying one step ahead of risk management. Why is it so challenging? Creating a synthetic identity is becoming easier, whereas detecting these fake identities is more difficult. Many enterprises are continuing to combat this crime with traditional risk solutions which aren't optimized to detect synthetic identities.

Rise of Synthetics

In 2014, ID Analytics recognized a fundamental shift in the frequency and sophistication of synthetic identity attacks, reporting a 100% rise over the previous three years.¹ Today, industry reports suggest that synthetic identity losses equate to 20-30% of all credit write-offs resulting in total losses between \$6-9B annually.² It is a growing and evolving problem, with no signs of abating.

To fight the rise of synthetics, enterprises need purpose-built solutions which offer flexibility to solve synthetic identity fraud on their terms.

Solving Synthetic Identity Fraud – One Size Does Not Fit All

Synthetic identity fraud is a dynamic and multifaceted problem that presents several challenges:

No Single Definition: There are different types of synthetic identities - which vary in construction, intent and degree of financial harm.

Speed of Activity: The speed in which synthetic identities access and abuse credit varies. They may be looking for a quick win resulting in a first-pay default, or they might build a legitimate credit profile and bust-out two years later.

Categorization: Depending on how synthetic identities impact an enterprise, the issue may be perceived as either a fraud problem or a credit problem.

To reconcile these challenges ID Analytics took a holistic approach to combatting synthetic identity fraud. Our solutions are designed to assess the risk associated with a wide range of synthetic identity fraud and offer flexibility by aligning to an enterprise's preferred risk management strategy; be it fraud or credit-centric.

ID Score® Synthetic – A three-digit score which assesses the fundamental issue of synthetic identities – legitimacy – powered by the unique identity intelligence in the ID Network®.

Credit Optics® Intentional Misuse – A three-digit credit score which assesses the broader problem of credit abuse – identifying both synthetic and real identities with malicious intent.

Benefits of ID Analytics' Synthetic Solutions

- Powerful: Helps enterprises reduce losses associated with synthetic identity fraud
- Purpose Built: Designed to help detect synthetic identities and intentional credit abuse
- Comprehensive: Identify a wide range of synthetic identities and potential credit abuse
- Optionality: FCRA-actionable or GLBA-compliant versions available
- Minimize friction: Preserve your customer experience for low-risk identities

Synthetic Solutions Designed for Your Enterprise

ID Analytics' synthetic identity solutions provide a comprehensive perspective of identity legitimacy and credit abuse, helping enterprises to maintain a strong defense against synthetic identity fraud, even as fraudsters alter their methods. They are designed to arm lenders with solutions tailored to the ways they experience and wish to attack synthetic identities.

ID Score® Synthetic

ID Score® Synthetic answers, "Is this identity real?"— addressing identity legitimacy rather than targeting specific behaviors that only a portion of synthetic fraudsters may exhibit. By placing a focus on identity legitimacy, the solution helps identify a wide range of synthetic identities.

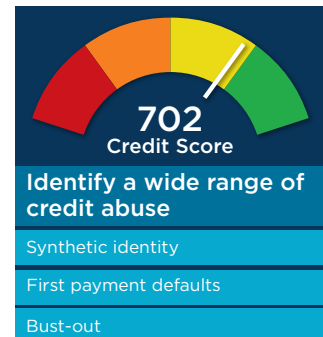
As defenses against synthetic identity fraud improve, fraudsters will adapt. By focusing on identity legitimacy rather than specific behavioral fraud signatures, ID Score Synthetic delivers an assessment that will help enterprises detect synthetic identities even as fraudsters change their methodologies.

ID Analytics' patented advanced analytics combined with the rich, cross-industry data in the ID Network® create a powerful and comprehensive understanding of identity that attacks the core issue of synthetics—identity legitimacy. This predictive identity assessment helps enterprises minimize losses while preserving the customer experience for low-risk identities.



Credit Optics® Intentional Misuse

Credit Optics® Intentional Misuse offers a powerful FCRA-governed risk assessment of one of the most challenging loss drivers in lending – credit abuse. By delivering an assessment of the likelihood that an applicant intends to misuse the credit or service they are applying for, the solution targets a gray area for enterprises which includes synthetic fraud, first payment default, first-party fraud and bust-out.



In a beta test of Credit Optics Intentional Misuse at a major financial institution, the solution identified nearly 3x more risky consumers over a traditional credit risk model.

Credit Optics Intentional Misuse is an actionable score that can be used to fine-tune origination strategies against the threat of credit abuse. This can be a critical tool when dealing with applicants who intend to misuse credit, but who often pass through authentication. The solution targets intentional misuse of credit by leveraging innovative analytics with visibility into both traditional and alternative credit behaviors generally not captured by national credit reporting agencies.

Whether your enterprise experiences synthetic identities as a fraud or credit abuse challenge, tap into comprehensive insights from ID Analytics to build defenses tailored to attack synthetics on your terms.

For more information about ID Analytics' synthetic solutions, contact us at sales@idanalytics.com or 858-312-6200 or visit www.idanalytics.com.

¹ID Analytics, October 2014, The Long Con: An Analysis of Synthetic Identities.
²Aite Group, May 2018, Synthetic Identity Fraud: The Elephant in the Room, p. 5.