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Synthetic identities: 1 in 5 have auto loans

by **Amanda Harris** — September 24, 2020 in **Risk Management** 2 min read

More than 1 in 5, or 22%, of false identities created to carry out fraud are connected to auto loans, according to fresh data from SentiLink, a fintech company that detects and blocks synthetic identities. For the report, the company looked at 1,400 synthetic identities.

The fintech defines synthetic identity fraud as a case in which the name, date of birth and Social Security number do not match a real person. With first-party synthetic fraud, the applicant's name and date of birth refer to a real person, but the Social Security number does not. Cases in which the name, date of birth and Social Security number are all tied to a fictitious person are considered third-party synthetic fraud.

Fraudsters aiming to set up an auto loan using a false identity are more likely to go the first-party route, according to SentiLink, which found that 96% of synthetic identities in auto are considered first-party fraud, as compared with overall synthetic fraud, of which 79% are first-party fraud.

Since the majority of synthetic fraud in the auto lending space is done through first-party fraud, it poses a major problem for auto lenders, who typically verify a borrower's credit application by comparing the name and date of birth to a driver's license, which does not list a Social Security number, Max Blumenfeld, co-founder of SentiLink, told *Auto Finance News*.

Lenders may pull the wrong credit report, which can lead to an inaccurate reflection in charge-offs, making it "look like a credit problem, when it's really a fraud problem," Blumenfeld added. Lenders can proactively prevent those loses by also verifying the Social Security number.

In 2019, fraud accounted for a $7 billion loss for the auto finance industry, a problem exacerbated by the rise in digital processes due to the COVID-19 pandemic, Todd Wolf, chair of the International Association of Financial Crimes Investigators' Auto Finance Coalition, said during a presentation at the most recent *Auto Finance News* Auto Finance Risk Summit. "Everything can be delivered to them to the mail or to a remote site. Fraudsters find it easier to commit auto fraud schemes versus having to go into a dealership," Wolf said.

Synthetic identify fraud specifically accounts for a nearly $1.4 billion problem for the auto finance industry, Wolf said. "Synthetic identity is the fastest growing form of any type of identity fraud. It's estimated that 85% of all forms of identity fraud are a form of synthetic identity," he said. "It takes longer for anybody to identify, especially if you are a victim and your Social Security number might have been compromised."

Auto Finance Summit, the premier industry event, returns October 20-22, 2020, as a virtual experience. The virtual experience will offer the quality networking and education of past events, all through an online platform. To learn more about the 2020 event and register, visit ***www.AutoFinanceSummit.com****.*

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