TJ Golson, Entrata

Ed Tonarelli, Real Page Screening

Janet Peters, TransUnion

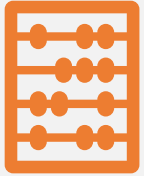# Today's Expert Panelist

Nicole Griffith, First Communities

Elizabeth Amick, Rangewater

Today's Panelist

Today's Outline

1. The Problem
   1. Stats
2. Types of Fraud
   1. Examples
3. Impact on our Communities
4. Solutions
   1. Expert Panelist Best Practices
   2. Operator Tips & Best Practices

As many as 2/3 of all rental applications include fraudulent information

Now that the Eviction Moratorium has been struck down, we must be very CAREFUL who we approve

The Problem

The traditional view of what fraud looks like

This is what fraud looks like today!

FRAUD TODAY

LOOKS DIFFERENT,
BEHAVES DIFFERENT,
IMPACTS DIFFERENTLY.

Statistics

FTC ID THEFT REPORTS Q1 & Q2 2020

2020 Reports

571,188

2019: 288,188

YOY Q1

80%

2019: 123,091
2020: 221,547

$48B

Projected Synthetic ID Losses by 2023

YOY Q2

111.8%

2019: 165,072
2020: 349,641

ID THEFT REPORTS PER STATE YTD JULY 2020

194,867

173,432

THEFT TYPE

CREDIT CARD FRAUD	194,867
OTHER IDENTITY THEFT	173,432
LOAN OR LEASE FRAUD	85,201
GOVERNMENT DOCUMENTS OR BENEFITS FRAUD	83,479
EMPLOYMENT OR TAX-RELATED FRAUD	64,154
PHONE OR UTILITIES FRAUD	53,067
BANK FRAUD	42,668

TOTAL IDENTITY THEFT REPORTS   **571,188**
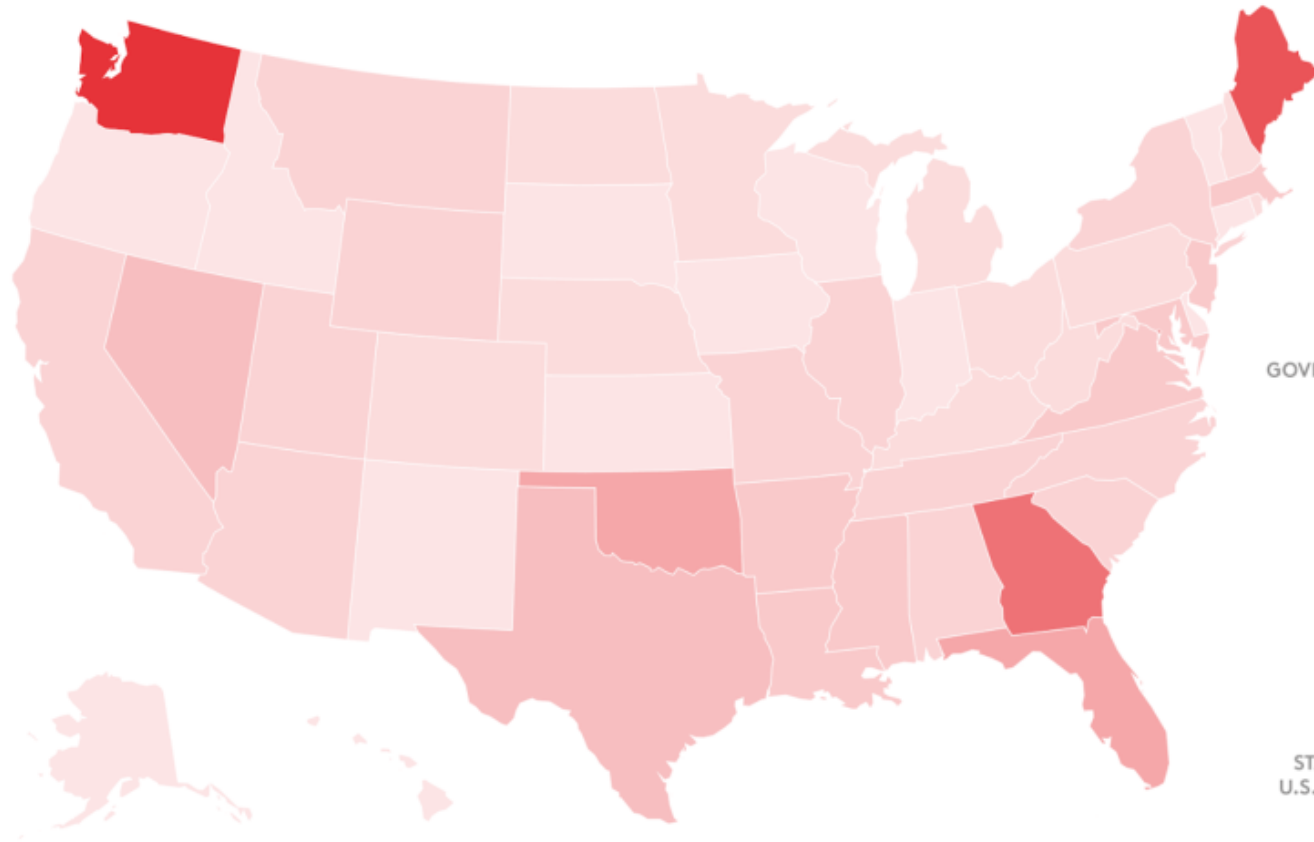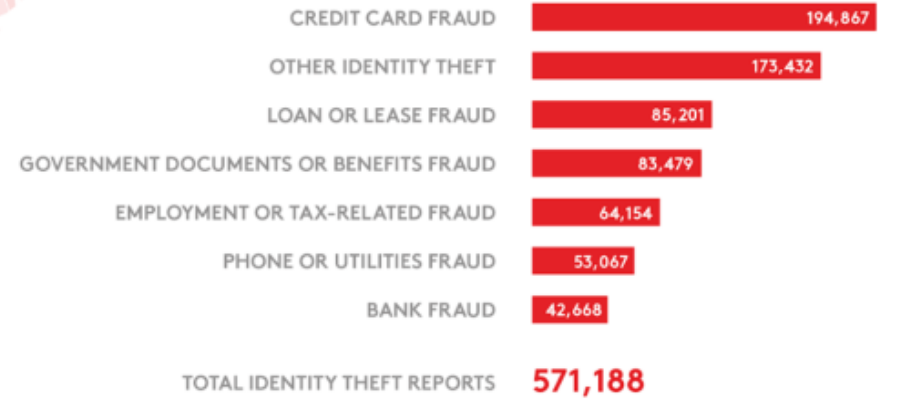
REPORTS PER 100K POPULATION.

STATE POPULATION ESTIMATES ARE BASED ON
U.S. CENSUS POPULATION ESTIMATES FOR 2019.

SOURCE: FTC.gov

−   +

TOP 10 STATES YTD JULY 2020

ALL IDENTITY THEFT REPORTS (JULY 2020 - YTD)			
RANK	STATE	REPORTS PER 100K	# OF REPORTS
1	WASHINGTON	295	44,995
2	MAINE	199	5,347
3	GEORGIA	161	34,234
4	DELAWARE	136	2,657
5	OKLAHOMA	119	9,443
6	FLORIDA	117	50,315
7	RHODE ISLAND	109	2,302
8	NEVADA	102	6,293
9	ARKANSAS	97	5,865
10	TEXAS	96	55,499

Types of Fraud

Types of Fraud

First Party Fraud

- Intentionally taking on financial obligations they cannot / do not intend to pay
- Misrepresentation and falsification of documents to improve creditworthiness
- Collusion between parties to pass screening

First Party Fraud can be detected through appropriate credit screening

- Credit scores often suffer from fully utilized credit with charge offs and delinquencies
- Bankruptcies are quickly followed by new inquiries for credit

Types of Fraud

Third Party / ID Theft Fraud

- Stealing identities on the dark web, through data breaches or by friend/associate relationships

3.7 million identity records are stolen every day

- Data breaches are up 45%
- Consumers involved in a breach are 7 to 10 times more likely to be a victim identity theft

Social security number	$1
Driver's license	$20
Online login information	$5 - $110
Credit / debit card	$20 - $200

Types of Fraud

Synthetic Identity Fraud

- Purposeful creation of new fabricated identities
- Uses mix of real and fictitious data to create a new credit profile
- Skilled fraudsters groom the identity for prime scores then "bust out"

Synthetic Identity Fraud has doubled since 2012

- More than $1 billion in outstanding balances
- No third party victim to report the fraud and help stop it early
- Credit scores can be deceiving as synthetic fraudsters masquerade as good prospects to improve their credit

Identity Fraud is a Growing Problem

Identity Verification is of growing importance to every property

- 60% rise in identity fraud from 2019-2020[1]
- Overall shift to more digital interactions

For multifamily, the repercussions of fraud-based skips and evictions is significant

- Potential costs of identity fraud is between $5K and $15K annually in eviction related expense **per instance**
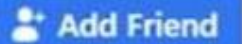- Can **last for as long as 6 months** after a fraudster is identified.

These repercussions are many and costly:

- Lost rent revenue (actual and opportunity cost)
- Damages and repair
- Additional turn cost
- Legal cost
- Time
- Reputation damage

Do you know ▮▮▮▮

To see what she shares with friends, send her a friend request.

+ Add Friend

Intro

🏠 Lives in **Indianapolis, Indiana**

📡 Followed by **837 people**

Photos   See All

▮▮▮▮▮

October 19 at 3:30 PM · 🌐

If you are CASH READY for an APARTMENT or
HOUSE, but cannot find one inbox me
what side of town
how many bedrooms
and the max rent you want to pay.

I will have free time after 8pm tonight to do some pre approved
houses and apartments in the areas y'all looking for. So once I get it
pre approved and sent to you. You better be ready to pay lbvs.

SHARE and help someone out. 🛒🏠‼️

7 Comments 8 Shares

💬 Comment   ➦ Share

Apartment Approvals: 200
Home approvals: 350
Check stubs: 2 for 35 3 for 45
GED:20
Utility bill:20
Resume:20
Lease Agreement:20
CS letter:25
Bank Statement: 25 per month
Work Excuse:15
Proof of Insurance: 25
Loan Approvals: 200 (half upfront half when approved) must have
never had a loan before. **50 refunded if not approved, I keep $50 for
processing it**
💵 HALF OFF: groceries, flights , Marriott hotels , reinstatement fees,
fashion nova !
‼️ Because I have such a high volume of clients I only respond quick to
people who are CASH READY. For general questions please allow a 4
hour turn around time. Thanks.

Huge Shipment Of Fake ID's Found In Chicago

- Federal customs officers have seized 1,513 shipments from overseas containing 19,888 counterfeit U.S. driver's licenses at Chicago O'Hare International Airport.

- The shipments came from Hong Kong and mainland China, South Korea and the U.K.

- The barcodes on the fake Michigan licenses actually worked.

SYNTHETIC ID FORMULA

GET A CPN	GET A NEW PHONE #	GET A NEW EMAIL
NEW ADDRESS	LIE ON APPLICATION	OPEN 2–3 TRADELINES
PAY ON TIME	APPLY FOR AN APARTMENT	SKIP TOWN

Cassie's Post

Ty Fetti
October 23 ·

APARTMENTS $250 TO START .. $250 AFTER YOU GET THE KEYS
HOUSES $375 TO START $375 AFTER YOU GET THE KEYS
(YOU PAY YOUR OWN FEES AND FIND YOUR OWN PLACE TO STAY)
(APARTMENT APPROVAL PACKAGE $300-INCLUDES CPN
3stubs w verification
Rental verification
Rental insurance)
CPN- $175

CPN #'S $175
APT APPROVAL PACKAGE $300/ —-$375W (CABLE/WIFI)
INSURANCE $75 FOR 6m (12m$150)
DOCTORS NOTES $25
JOB OFFER LETTER $25
LIGHT BILL $30
RENTERS INSURANCE $25
CHECK STUBS ($20 PER STUB) W/VERIFICATION!!!

ALL DOCUMENTS WILL BE EMAILED ‼️

CASHAPP ACCEPTED

HMU ‼️

EVERYTHING YOU SEE POSTED IS WHAT I DO ...
NOTHING MORE NOTHING LESS

♥ 1   1 Comment 2 Shares

Ty Fetti
November 6 ·

A list of easy move in apartments !

Apartments South/Desoto/Duncanville***
Legacy of Cedar Hill
Colony Apt Desoto
Pecan Crossing
Crest@Illinois
1303 Main
Lancaster Urban Village
Meadows on Merril
Westwood
4060 Preferred Place
Pacifica
Candlelight park
Interlace
Waverly @ Wolf Creek
Exchange 7272
6500 South
Illinois
Eagle Pointe
Wexford Townhomes
La Hacienda
Apartments North***
98 Fifty
Ivanhoe
McCallum Corners
Estancia
Bel Terra
Sienna Springs
Chimney Hill
Vfe
View of Lake Highlands

Write a comment...

Elizabeth story here – the glam scammers

- Story
- Story
- Story

It's someone's full time job!

Greg is 42 years old and has applied for an apartment.

- He's recently moved to the area and has started a new job as an IT Manager
- His credit score is 690
- He makes 4x the monthly rent
- He has no criminal records or evictions in his past

THE REAL DEAL:
- Greg is an example of synthetic fraud.
- Greg is an identity created by a sophisticated ring of people who specialize in manufacturing identities.

TransUnion

Pam is 39 years old and has applied for an apartment online.

- She's a teacher for the local school district, and has been with the same school system for the last 12 years
- Her credit score is 700
- She makes 4x the monthly rent
- She has no criminal records or evictions in her past

THE REAL DEAL:
- You were a victim of synthetic fraud perpetrated through digital device.
- Your "applicant" is a member of a team working to rent units for the purposes of subleasing.

TransUnion

Fabricated Documentation

Combination of real and fabricated information to evade screening services

- Purchase pre-paid phone
- Purchase a stolen SSN from the internet using a money transfer app
- Apply for loans, credit, and other transactions through stolen SSN
- Pay a call center to vet your employment, history and character
- Purchase an identity package on Craigslist. Includes credit lines, forged address track record, forged pay stubs and a forged ID

85% of synthetic fraud now makes up all first-party fraud*

Impact on our Communities

Tell us a story Nicole…

- -Fake ID
- -Fake Paystubs
- -Lived at the community for 4 months, only paid rent for one.
- -Held wife at gunpoint outside the Leasing Office
- -Write-off of $4,000+ in rent and other charges

Tell us a story Elizabeth…

- Bullet
- Bullet
- Bullet

Firms suffered lasting consequences as a result of this fraud: reputational damage, increased evictions, and time spent on applications are the biggest implications

What impact did this incident or incidents of fraud have on your organization?

Impact	%
Increased reputational damage	59%
Increased evictions	51%
Internal time spent comparing applications to find discrepancies	46%
Increased financial loss	35%
Higher vacancies	32%
Increased bad debt	22%
Don't know	3%
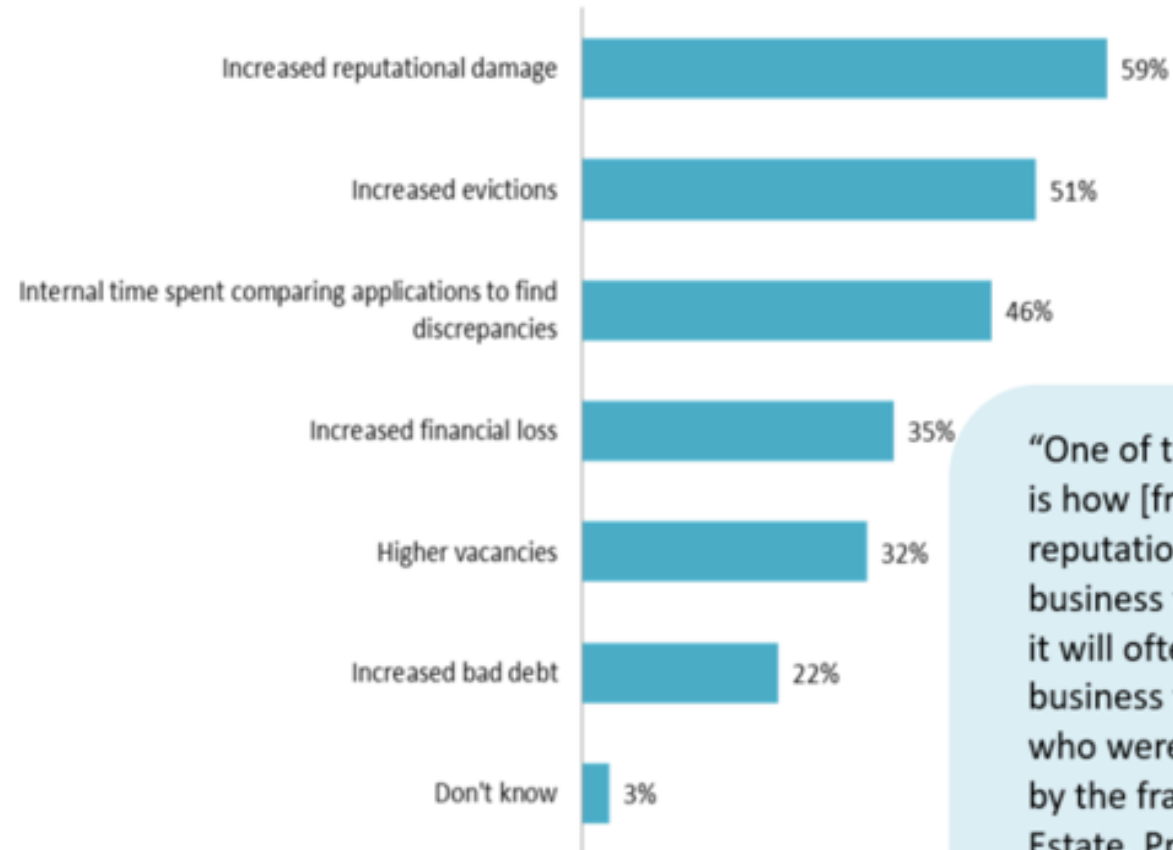
"One of the biggest concerns is how [fraud] impacts our reputation. It can cost us business from our clients and it will often times cost us business from other clients who weren't even impacted by the fraud. –Director of Real Estate, Property Management Company

When Does It Occur in the Lease Cycle?

Poll
Thinking about the incidences of fraud that have occurred over the past two years, at which point(s) in the process did you identify fraudulent activity?

When fraudulent activity was identified

After move-in	73%
At the time of application	52%
At the time of move-in	36%
At the time of eviction	33%
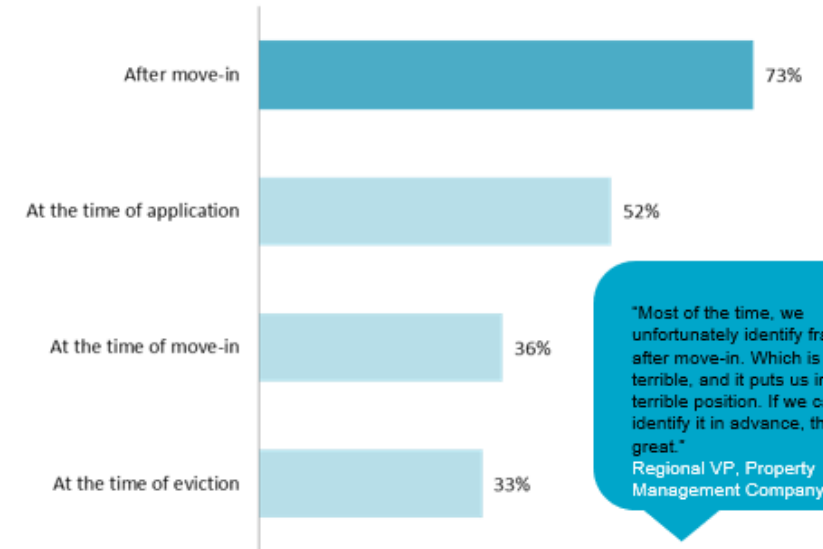
"Most of the time, we unfortunately identify fraud after move-in. Which is terrible, and it puts us in a terrible position. If we can identify it in advance, that's great."
Regional VP, Property Management Company

Most experience fraud after move-in, an indication that current methods are not keeping up with fraudsters and causes loss that could have been prevented.

But over half identified the fraud at the time of application.

Solutions

Panel Expert Best Practices

# ID Verification

Identity Verification Online Workflow

Application Process

- During the online application process, applicants will enter their Personal Information, Employment and Residency information

- Once the information is saved, Identity Verification is checked

- If the verification is a Pass, they will move on to the next step

Document Verification

Document Verification Consumer Flow

➢ Consumer receives an SMS to the mobile device specified on application

➢ The SMS is live for 15 minutes and they will have 5 minutes to complete the process

➢ They will be instructed to capture the front and back of their Government Issued ID
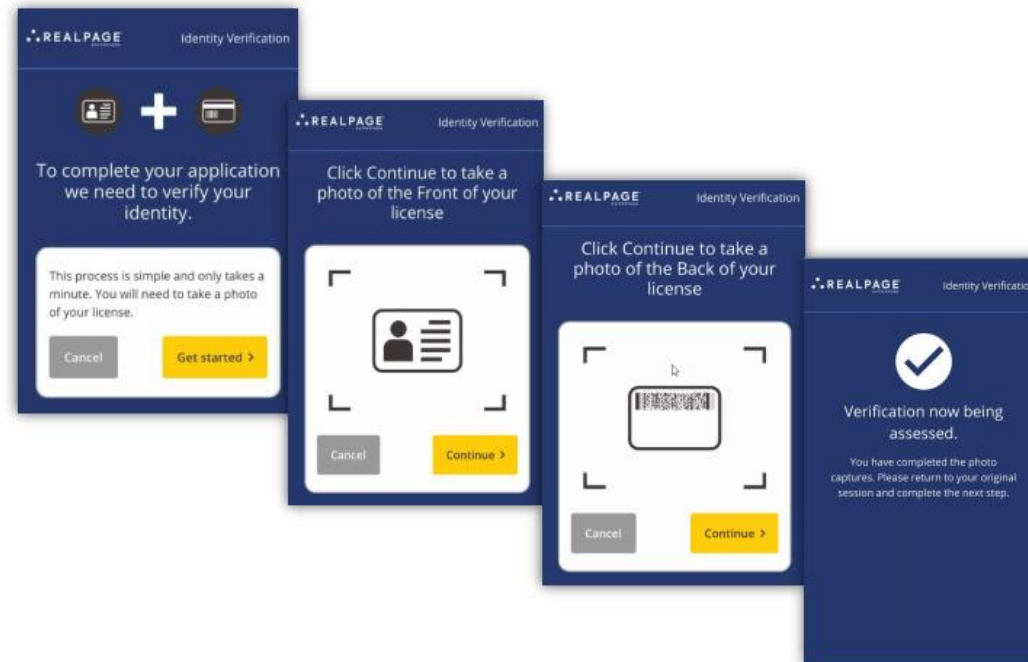
Tips from TJ

TOP 5 BEST PRACTICES

1. Utilize alternative data — verified employment, income, and rental history.

2. Check pay stubs for inconsistent fonts and calculations.

3. Do not accept temporary IDs.

4. No Credit Record - use extreme caution.

5. Utilize an ID theft solution such as Precise ID.

Tips from Ed

Tips from Janet

What should I look for in a fraud solution?

A Multi-Layered Solution is Best

- **Identity Verification**
  - Verify that the applicant is who they say they are
  - Credit data used to match PII information and alert to any mismatches
- **Device Verification**
  - Explore digital behavior of applicants device for red flags
  - Check that IP address is valid
  - Check browser history for fraudulent activity
- **Authentication**
  - Provide applicant with a one time pass code
  - Provide applicant with out of wallet questions to authenticate identity

Operator Tips & Best Practices

First Communities Best Practices

Review each document thoroughly

Check the font types. Official documents have font types that are extremely difficult to duplicate.

Does the hourly pay or annual salary match the job title?

- Example: Housekeeper making $40/hour

Review the dates of pay. Is there a consistent payroll pattern or are random dates listed?

On paystubs, are the YTD pay amounts accurate based on the pay rate?

On paystubs, are the taxes withheld the correct amounts?

- 6.2% for Social Security tax
- 1.45% for Medicare tax

Rangewater Best Practices

Tip

Tip

Tip

TMG Best Practices
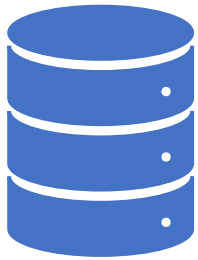
Check County Database *in addition* to screening report

Why?

ASK frequency this data is updated with your screening provider

More General Tips

It's a continuing moving target – but don't sit around and wait for next version of fraud. Be proactive.

Lean on your vendor partners – to help find the next one

Talk to your Operator peers

Attorney Mike Williams

Attorney Mike Williams

When is it ok for Operators to "deny" an applicant when FRAUD is discovered?

- Do you have to explain your proof?
- What do we put in a Denial Letter?

Given the upcoming backlog of Evictions – actual set-outs, what should Operators look for when approving new prospects?

What language should Operators confirm is present in their Rental Applications to help thwart and be able to take action on discovered FRAUD?

Questions?

Thank you for attending today!