



Frankenstein Fraud

THE RISING THREAT OF SYNTHETIC IDENTITY THEFT

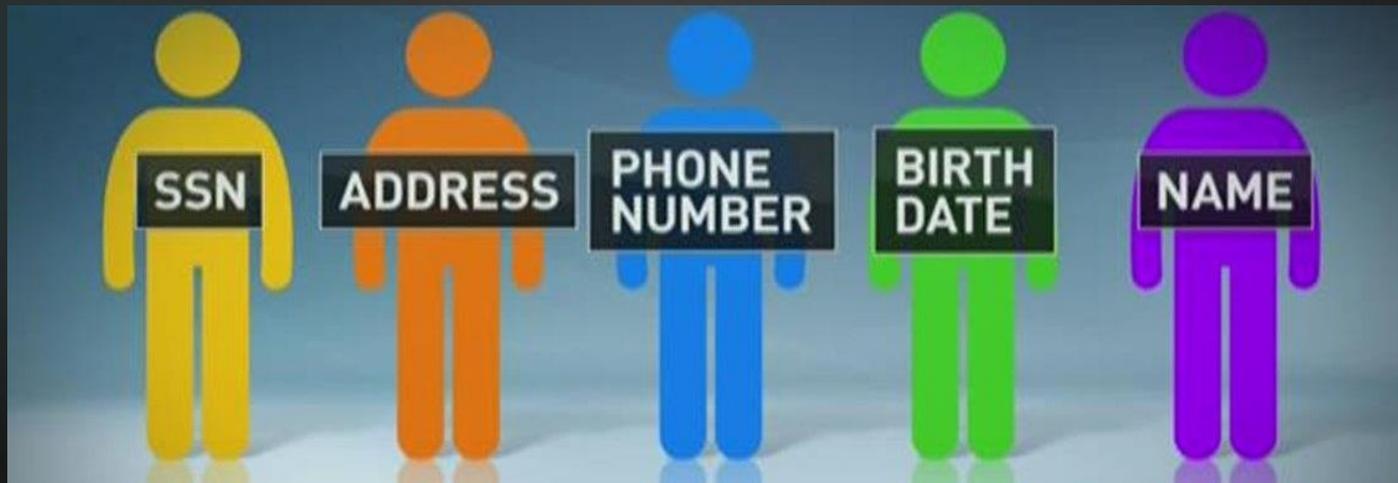
What is traditional identity theft?

- ▶ Thief targets a victim and gathers enough information on them to impersonate them.
 - ▶ Usually done by searching online, phishing, and rifling through mail.
- ▶ Once they have access to their accounts, the thief can make large purchases using the victims money and credit.
- ▶ High chance that victim and lenders will notice abrupt change in behavior.
- ▶ Theft shutdown relatively quickly.



New theft scheme

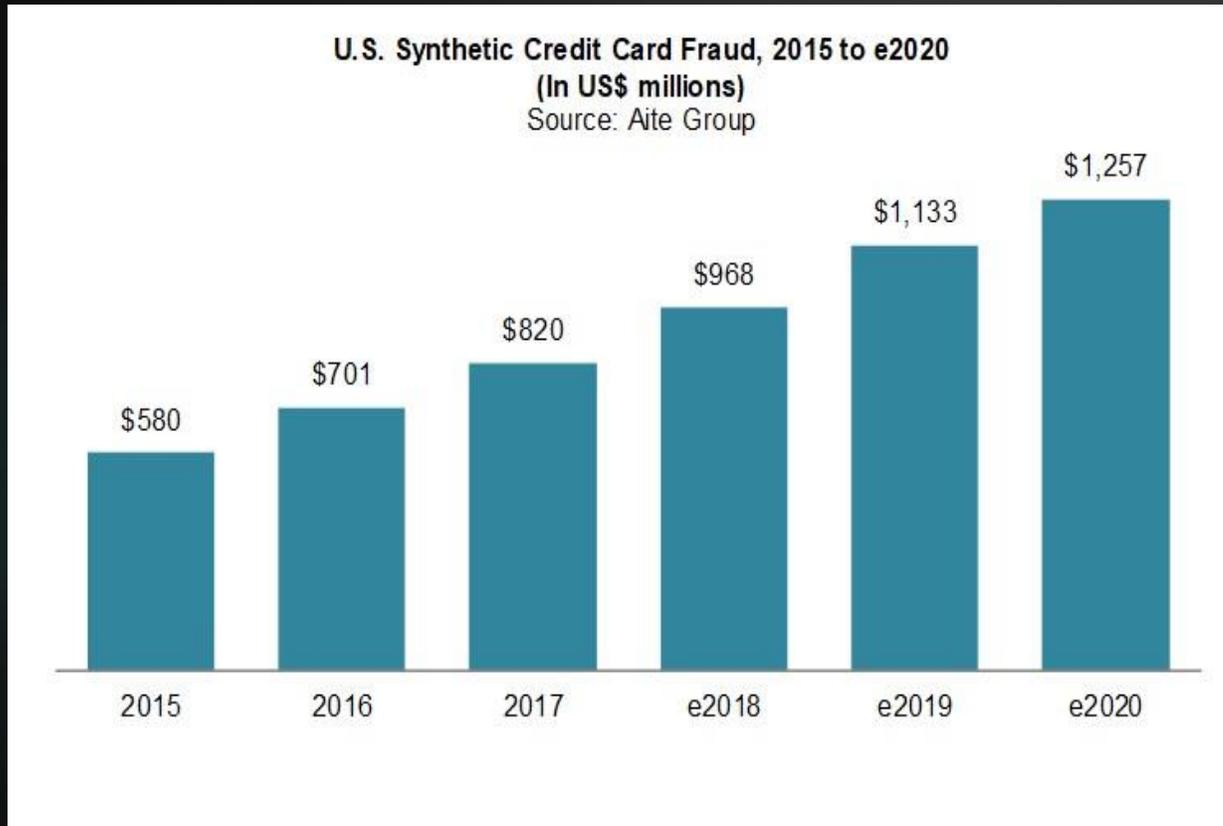
- ▶ Traditional (true name) fraud becoming more difficult.
 - ▶ More aware consumers and credit monitoring software.
- ▶ Fraudsters migrate to new form of fraud known as synthetic identity theft.
- ▶ Instead of stealing an entire identity, they take bits and pieces from several different people and combine it to form their own fake identity.
- ▶ This synthetic identity is then used normally until decent credit is built up.
- ▶ Fraudsters then 'cash out' and move on to using a new fake identity.



Why the sudden shift?

- ▶ Synthetic identity theft currently makes up 80-85% of identity theft, why?
- ▶ Victims not affected directly, so more difficult to detect.
- ▶ Rise of chip-enabled cards in 2015 made point-of-purchase fraud obsolete.
- ▶ Randomization of Social Security numbers after 2011 makes verification difficult.
- ▶ A lot easier to acquire pieces of a victim's identity instead of the entire thing.
- ▶ Able to remain undetected for longer.

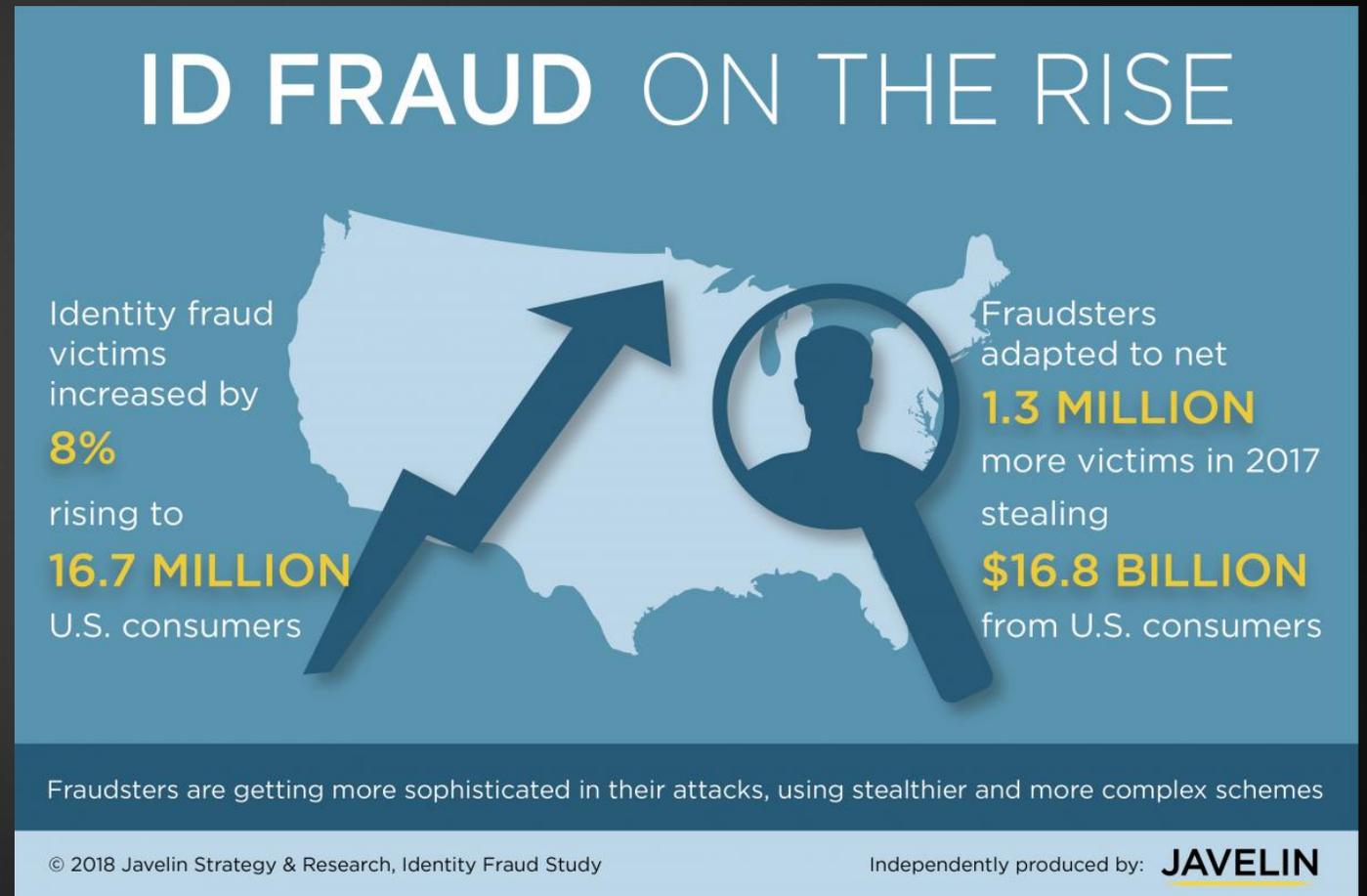
Damaged Caused



- ▶ Amount of money stolen increases each year.
- ▶ Estimated \$1.2 billion loss by 2020.
- ▶ Fragmented credit files can still affect the victim's whose Social Security number (SSN) was used, even though other details don't match.
- ▶ Affected children will likely not see the repercussions until years later when they apply for credit and background checks.

Could this happen to me?

- ▶ ABSOLUTELY!
- ▶ 2300 data breaches in 2018 alone.
- ▶ Equifax breach in 2017 exposed 145.5 million SSN and other personal identifiers.
- ▶ Nobody is completely immune, so always be aware and prepared.



The Creation of John Doe

- ▶ Fraudster cobbles together a fake identity using the information acquired.
- ▶ Fake identity used to apply for credit from a lender.
- ▶ Application sent from lender to Credit Reporting Agencies (CRAs)
 - ▶ Equifax, TransUnion, Experian
- ▶ The agencies check for credit file, which contains credit history and other financial information so lender can make a decision.
- ▶ Brand new identity, so no credit file available.
- ▶ Credit lender proceeds to decline the application.
- ▶ The catch is that every application submitted to CRAs will be added to a credit file, so now fake identity has a credit file created.

Fraud in Action

- ▶ Each new application builds up the credit file for the fake identity.
- ▶ Eventually they are granted some small lines of credit.
- ▶ Credit is nurtured for several months by using cards and paying bills on time.
- ▶ As credit improves for the fake identity, the credit limits increase on the accounts.
- ▶ Shopping spree spending all the credit on all the accounts.
 - ▶ Easily resaleable items such as gift cards and expensive electronics.
- ▶ Pay back with fraudulent checks, then quickly repeat for double the cash.



Why wait when you can cheat

- ▶ Building up credit from scratch takes forever.
- ▶ Faster method is to become an authorized user on the account of someone with good credit.
- ▶ The synthetic identity is able to quickly inherit a good credit rating.
- ▶ Can then be removed as authorized user, but the good credit score remains.
- ▶ Fraudsters usually pay people so they can be added for a short period of time or pretend they are in need of credit repair.



Sham Businesses

- ▶ Fraudsters can also develop credit for their identity by using a fake business or a business that has been compromised.
- ▶ They have their fake identity apply for credit at the 'business' to purchase some expensive products.
- ▶ Business then reports to CRAs that the synthetic identity is making all its monthly 'payments'.
- ▶ As a result, the identity's credit rating goes up and so do their limits.
- ▶ Main issue occurs when the credit the fraudster is using does not match up with the price range of the products at the 'business'.
- ▶ Called data-furnishing.

Synthetic Identity Theft Busts



- ▶ Organized identity theft ring in New Jersey 2013
 - ▶ 18 people
 - ▶ 7000 fake identities
 - ▶ \$200 million in credit card fraud
- ▶ Man charged in Atlanta, Georgia 2015
 - ▶ Over 300 fake identities
 - ▶ Over the course of two years
 - ▶ \$350,000 in credit card fraud

Protect the Children

- ▶ Fraudsters want to target victims who won't be monitoring their credit reports.
- ▶ Since children are too young to have credit reports they are the perfect target.
- ▶ Study by CyLab shows that children are 51% more likely to have their SSN used for identity theft.
- ▶ Randomization of SSN allows for fraudsters to take the SSN of a child and combine it with the date of birth of a 20 year old without being detected.

What is the Government Doing?

- ▶ New law passed in May 2018 called the 'Economic Growth, Regulatory Relief, and Consumer Protection Act'
- ▶ Section 215 provides a mechanism for certified financial institutions to verify the personal information associated with a SSN electronically.
- ▶ Results of verification available in 24 hours.
- ▶ If implemented correctly, it will be a major deterrent to synthetic identity theft.
- ▶ Who knows how long it will take to get the system into place?

What can you do to protect yourself?

- ▶ Monitor credit report using service like annualcreditreport.com
 - ▶ Provides 1 report per year per CRA
 - ▶ Allows for a report every 4 months
 - ▶ Report issues to credit agencies
- ▶ Monitor annual Social Security statement.
 - ▶ Report income discrepancies to the Social Security Administration
- ▶ Make sure to do it for your children as well.
- ▶ Most importantly...

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**Spot identity theft early.
Review your credit reports.**

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)

PLAY ▶ SPOT IDENTITY THEFT GOOD CREDIT DON'T BE FOOLED MORE THAN A SCORE NOT LIKE THE OTHERS

Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

[Request your free credit reports](#)

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- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

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SPREAD AWARENESS



Are there any questions?

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