

Neutralizing Fraud: Keep Bad Actors at Bay

Layering Strategies to Stop Fraud Before it Starts

Synthetic identity fraud (SIF) is the largest form of identity theft in the nation.¹ Between 2016 and 2020, SIF losses grew from \$6B to \$20B² - currently, the average per account loss is \$10K.³

With multi-layer verification and portfolio assessments, financial institutions (FIs) can identify application fraud attempts and pinpoint existing fraudulent accounts.

Zoot has transformed basic, stand-alone detection into one of enterprise predictive risk assessment, which integrates big data, advanced analytics, real-time functionality and customer experience.

Detect emerging fraud schemes and entry points with a streamlined view of suspicious activities across all products and channels.

"With Zoot, we can identify red flags fairly easily and split those applications out for a second look, a harder look, to help us in our effort to reduce losses."

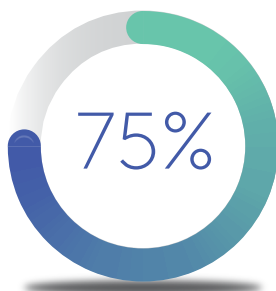
-Product Manager, Consumer Credit Card | Top U.S. Card Issuer

Obtain an integrated view of all fraud activity with advanced technology that uncovers hidden trends and relationships, identify fraud events and prevent losses through real-time monitoring.

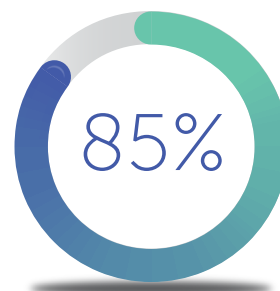
Using Zoot's data connections, you can implement a fraud detection and prevention solution that includes business rules, anomaly detection, predictive analytics, text mining and social network analysis to reveal hidden relationships and suspicious associations among customers, accounts and other entities.



As many as 50% of new U.S. accounts in 2021 were fraudulent.⁴



More than 75% of fraud losses are never recovered.⁵



Synthetic identity fraud makes up 85% of all fraud.⁶

SYNTHETIC IDENTITY APPLICATION FRAUD

According to SentiLink & Boston Consulting Group, undetected synthetic identity fraud is estimated to represent 5-10% of charge-offs.⁷ It's often miscategorized as a credit loss instead of an operating loss, driving higher loan loss reserve requirements.

In a recent survey, top fraud executives reported that

application fraud resulting from synthetic identities is their #1 concern.⁸

By stopping fraudsters in their tracks, FIs can lower charge offs to reduce loan loss provisioning, improving their bottom line.

IDENTITY VERIFICATION SEGMENTS

Providing a frictionless experience while meeting KYC requirements and balancing risk is challenging.

By segmenting verification requirements at the application level, FIs can optimize the customer experience, fine-tune their strategies and improve organizational efficiency.

TRADE LINE CREDIT

The growth of BNPL & POS credit building and credit boosting products has diminished FIs' ability to accurately evaluate consumer credit risk.⁹

Often unreported, these trade line installment loans prevent a 360° view of repayment abilities.¹⁰

- BNPL was used by 100M U.S. adults in 2021¹¹
- POS lending is predicted to grow by more than 40% annually between 2021 and 2030, reaching \$3.2T¹²
- BNPL/POS fraud rate grew by 66% YoY between 2020 and 2021¹³
- Account takeovers (ATO) and Synthetic identity fraud are the most common BNPL/POS fraud types¹⁴

Capturing these anomalies is critical for accurate underwriting and prevents credit mispricing, reducing losses.

COLLECTIONS SEGMENTATION

Incalculable resources are wasted trying to collect on synthetic identities, affecting everything from scalability to loss reserves. Over 70% of collections calls are wasted.¹⁵

With segmentation, FIs can filter synthetic defaults, improving the efficiency and effectiveness of the collection process.

"The fraud cat is out of the bag. We can't go back now. Get used to it and double down your efforts. It's going to be a long, hard fight."¹⁶

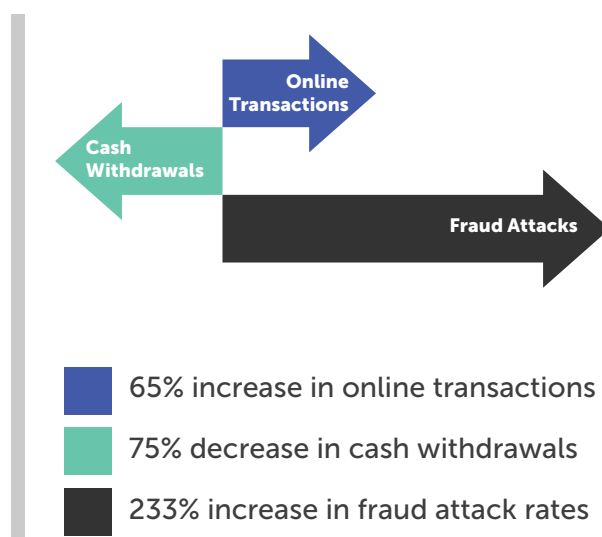
-Frank McKenna

THE FRAUD LANDSCAPE

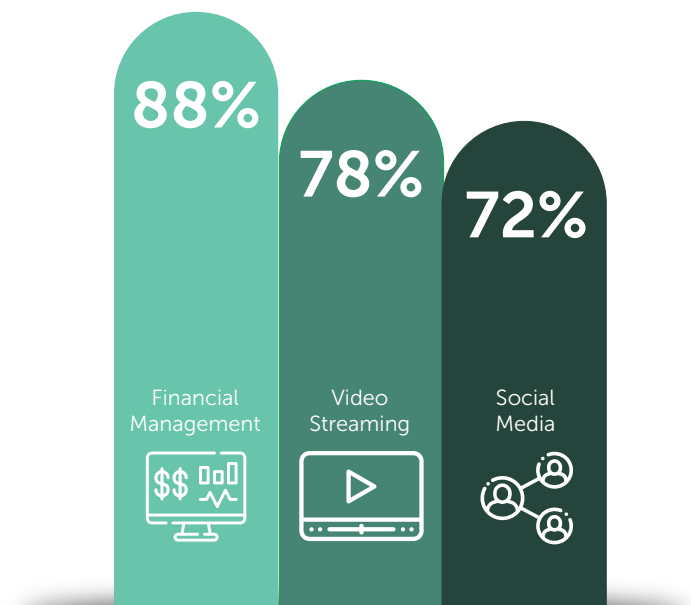
In 2021, 42M U.S. consumers were affected by identity fraud, at a cost of \$52B.¹⁷

Synthetic identity fraud for unsecured U.S. credit products is expected to grow **from \$1.8B in 2021 to \$2.42B in 2023.**¹⁸

CHANGES IN BANKING, 2019 - 2021¹⁹



U.S. CONSUMER TECHNOLOGY USE²⁰





Prevent Fraud Anytime, Anywhere

Directly interface with channels like POS, ATM, online and mobile to detect and prevent fraud in real time. Rapidly detect and prevent complex fraud schemes to minimize losses, maximize customer trust and reduce reputational risk.



Get a Comprehensive View

Track losses, recoveries and settlements throughout the entire fraud lifecycle with interactive tools and capabilities. Access on-demand and real-time information to make informed and accurate decisions.



Take Control

Build standardized, flexible and scalable processes that are configurable and easily updated to meet emerging fraud patterns. Help your risk and compliance officers prioritize the most critical instances of fraud with complete transparency and auditability.



Improve Customer Experiences

Provide better customer protection with fewer account interruptions through targeted alerts and reduced false positives. You can also meet or exceed emerging regulations, guidelines and customer expectations.

WE DO MORE

Zoot's broad suite of services encompasses all products, on any channel.



ORIGINATION & AUTO



PAYMENT PROCESSING



CREDIT & CHECKING



PREScreen & PREQUALIFICATION



MERCHANT ACQUISITION & MONITORING



IDENTITY VERIFICATION & FRAUD PREVENTION



COLLECTIONS & RECOVERY



ENTERPRISE CROSS-SELL

Contact Zoot today to learn more about how our proven solutions solve the most complex credit decisioning and loan origination needs and deliver ROI, while helping mitigate risk.



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⁹*ibid*

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¹⁴*ibid*

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