

The background features a blue and green color scheme with a grid of binary code (0s and 1s) and a faint, stylized globe. The globe is centered and has a grid pattern overlaid on it. The text is centered within a semi-transparent white rectangular box.

Fraud: What's Old is New Again

March 8, 2023

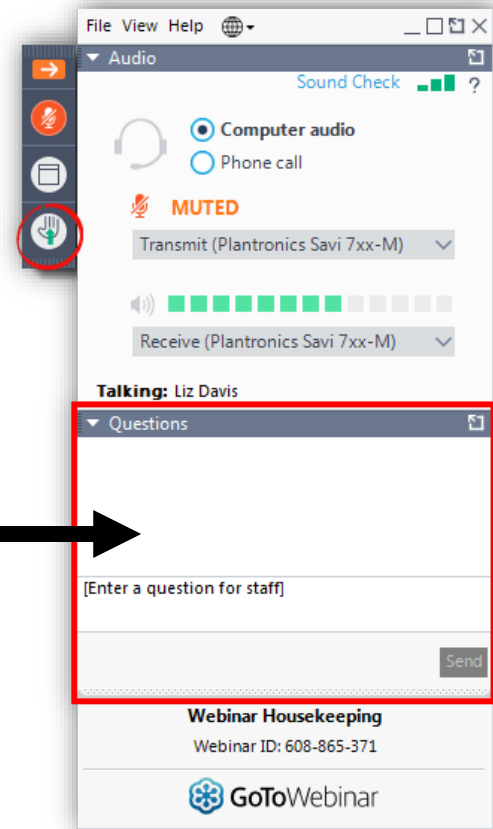
ELFA Wednesday Webinar at 1

Housekeeping



Today's web seminar is being recorded.

All questions should be submitted via the Questions Panel.



Welcome and Introductions



Debbie Devassy Babu
Shareholder
Darcy & Devassy PC



Kristian Dolan, CLFP
CEO
Northteq



Jeffrey D. Elliott, CLFP
President
Huntington Equipment Finance

Fraud at Origination of Transaction

Borrower Fraud

- Borrower defrauds Lender, to get a valuable piece of equipment or loan proceeds
- Shell corporations, or Borrower purchases corporation that has been incorporated for several years, but not necessarily active
- Borrower refuses to list Lender's lien on the collateral for titled vehicles



Vendor Fraud

- **Sham Vendor** – fails to provide equipment, or in cahoots with the Borrower
- **Legit Vendor that goes bad** – falsifies transactions with fake Borrowers, or forges signatures of legit Borrowers



General Fraud

- Exploiting automated credit approval process
- Fraudsters circumventing red flags



Fraud During Transaction

- **Ongoing/Payment Fraud**

- Existing accounts are exploited by identity theft directing funds to be “paid away” to a fraudulent party.
 - Online Phishing
 - Hacking into core system
 - Stealing emails and recreating under a similar looking account('disguised email")

- **Example**

- County gets email system hacked
- Monitors how transactions work
- Sets up legitimate account at a bank
- Sends a disguised email with new wire instructions for payment on an existing transaction to the new bank account.

Cyber Threats

- **Cost of cybercrimes in 2020 - \$4.2 billion**
 - Average cost of ransomware attack - \$1.85 million
- **Cyber Threats**
 - Ransomware
 - Malware
 - Phishing
 - Security breaches
 - Stalkerware
 - Social engineering

Cyber Insurance

- Insurance companies requiring multifactor authentication ("MFA") or dropping coverage
- Premiums rising 25% or greater without proper controls in place



Signs of Fraud

- Lots of UCCs filed against Borrower?
- Transaction makes sense for the business?
- Transaction makes geographic sense?
- Is the vendor a solid player in the industry?
- Does the equipment exist?



Mitigating/Preventing Fraud

Lots of UCCs filed against Borrower?

- Automate pulling of UCCs

Service Providers from the ELFF study:

- CSC
- Wolters Kluwer
- Middesk

Mitigating/Preventing Fraud, cont.

Transaction makes geographic sense?

- Device & IP Checks
 - Where did the IP originate from
 - Was it from a VPN?
 - What type of device

Service Providers from the ELFF study:

- Ekata

Mitigating/Preventing Fraud, cont.

- Other Red Flag Checks
 - Phone
 - Match name to phone number
 - Pre-paid “Burners”
 - VOIP
 - Email
 - How long an email has been in use
 - Address Verification
 - Is it a legit business address
 - Does the address match the company name
 - Network Scores
 - Are these companies confirmed by larger networks (e.g. Mastercard)

Mitigating/Preventing Fraud, cont.

Phone/Email/Address/Network Service Providers ELFF Study:

- Ekata
- Socure
- Kount
- Datamerch
- Prove

Mitigating/Preventing Fraud

Authentication

- Verify you're talking with borrower and the borrower is legit
 - Scan ID cards (Intelligent Data Capture)
 - Document Verification
 - BioMetric (Facial Recognition)
- Increase Customer Satisfaction
 - Pre-fill credit applications
- Service Providers from the ELFF study:
 - OnFido
 - Accuant
 - Idiology
 - Incode
 - MicroBlink

Mitigating/Preventing Fraud, cont.

KYB

- SOS Validation
 - How long have they been in business
 - Who are the registered owners
- Suits/Liens/Judgments
- Ultimate Business Ownership
- Service Providers from the ELFF study:
 - Middesk
 - LexisNexis
 - Thomson Reuters
 - Trulio

Mitigating/Preventing Fraud, cont.

Document Validation

- See if a document has been tampered with
 - Can validate: Bank Statements, Invoices, Financial Statements
- Service Providers from the ELFF study:
 - Inscribe

Mitigating/Preventing Fraud, cont.

Required Logins

- Require logging on to Bank
- Require logging on to accounting system
- Service Providers from the ELFF study:
 - Plaid/Yodlee (Bank)
 - Codat (accounting)

Behavior Score

- How data is entered in a form (order/copy & paste/tempo)
- Service Providers from the ELFF study:
 - Neuro-iD

**Fraud is only limited by human imagination.
Undoubtedly, new schemes are birthed by fraudsters every day!**





Thank You!



For previously-recorded web seminars go to:

www.elfaonline.org/events/elearning/web-seminars