Case Study: Major Card Issuer Prevents Identity Fraud and Streamlines Operations with ID Score-Risk

Client Profile
One of the top five U.S. credit card issuers

Challenge
The card issuer needed to prevent more pre-book and post-book fraud while leveraging improved fraud prevention to book more legitimate customers.

Solution
The card issuer deployed ID Score®-Risk on the front-end of its application process.

Results
ID Score-Risk helped prevent a significant amount of synthetic identity fraud and true-name identity theft losses in the pre-book and post-book environments. Because the score more accurately rank-ordered risk, it helped the issuer increase the number of legitimate booked accounts.

Challenge
Financial services institutions continue to apply cutting-edge technologies in order to grow their customer bases, drive down costs and prevent identity fraud. The industry continues to consolidate, elevating competition among top-tier institutions that are increasingly vying for the same customers. Unfortunately, as each institution's national coverage increases, so does its exposure to fraudsters attempting to perpetrate any number of identity fraud scams — ranging from application fraud to account takeovers to bust-outs.

U.S. financial institutions must also respond to ever-increasing expectations of customers who demand timely, high-quality service at the branch and through a host of remote channels such as the Internet, call center and via mail. Balancing the needs of many valued customers with the challenges brought about by a small number of criminals requires an innovative approach.

Fraud detection in the bank card applications process is traditionally handled in two stages. Pre-book fraud detection allows card issuers to prevent losses associated with identity fraud but can result in undesirable false positives. Post-book fraud detection is a stop-loss tactic that prevents significant amounts of fraud loss from impacting the institution after the account was booked and the card was shipped. Within each of these stages of account management, both synthetic identity fraud (which is difficult to detect) and true-name identity theft present risk to card issuers and their valued customers.

A top-five U.S. credit card issuer needed to reduce its exposure to identity risk by enhancing application fraud detection processes and approving more non-fraud accounts where approval decisions were delayed for further due diligence. With millions of applications received across various channels every month, the ability to accurately rank-order risk would allow the

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issuer to prevent fraud losses and also allow the issuer to book accounts that would otherwise be turned away due to innocent data inconsistencies.

**Solution**

The card issuer turned to ID Analytics for the solution and deployed ID Score-Risk on the front-end of its application process. A detailed performance analysis determined the optimal “score cut” where applications scoring higher than a specified score would be subject to further review, while those scoring lower than the specific ID Score-Risk would advance through the process without any manual intervention. The provisions of the Fair Credit Reporting Act (FCRA) and the Fair and Accurate Credit Transactions Act (FACT Act) prohibit issuers from using ID Score-Risk to decline an application. Therefore, the issuer pursues further identity verification in the most cost-effective manner possible for risky applications. By mailing a letter to the applicant requesting proof of identity, the issuer also ensures compliance with regulatory requirements. In addition, the issuer improves service quality by sending out fewer letters to applicants, improving throughput time for applications processing.

**Results**

ID Score-Risk delivered value to the credit card issuer by helping to prevent a significant amount of synthetic identity fraud and true-name identity theft losses in the pre-book and post-book environments. Because the score more accurately rank-ordered risk, it helped the issuer increase the number of legitimate booked accounts. Together, these benefits allowed the issuer to reduce financial losses tied to identity risk.

Operating at an industry standard 20:1 false positive rate, ID Score-Risk detected more than 25% of post-book fraud, representing pure incremental fraud loss prevention beyond existing procedures. The solution overall detected more than 45% of all fraudulent applications at an exceptional 3:1 false positive rate. In terms of direct fraud loss savings, ID Score for Applications reduced fraud dollar losses by 40% immediately following implementation.

The issuer also realized an important additional benefit from the use of ID Score-Risk — the ability to approve more applications. To capitalize on this benefit, the issuer decided to book applications that scored below a strategic, low-risk threshold recommended by ID Analytics. Assuming a conservative fraud rate in the pre-book population, the score is delivering $3 million of additional net revenue, allowing the issuer to continue to grow its customer base and, thanks to a more timely approval process, forge an even stronger image of service quality.

For more information, contact your Equifax sales representative or call 1-800-879-1025.