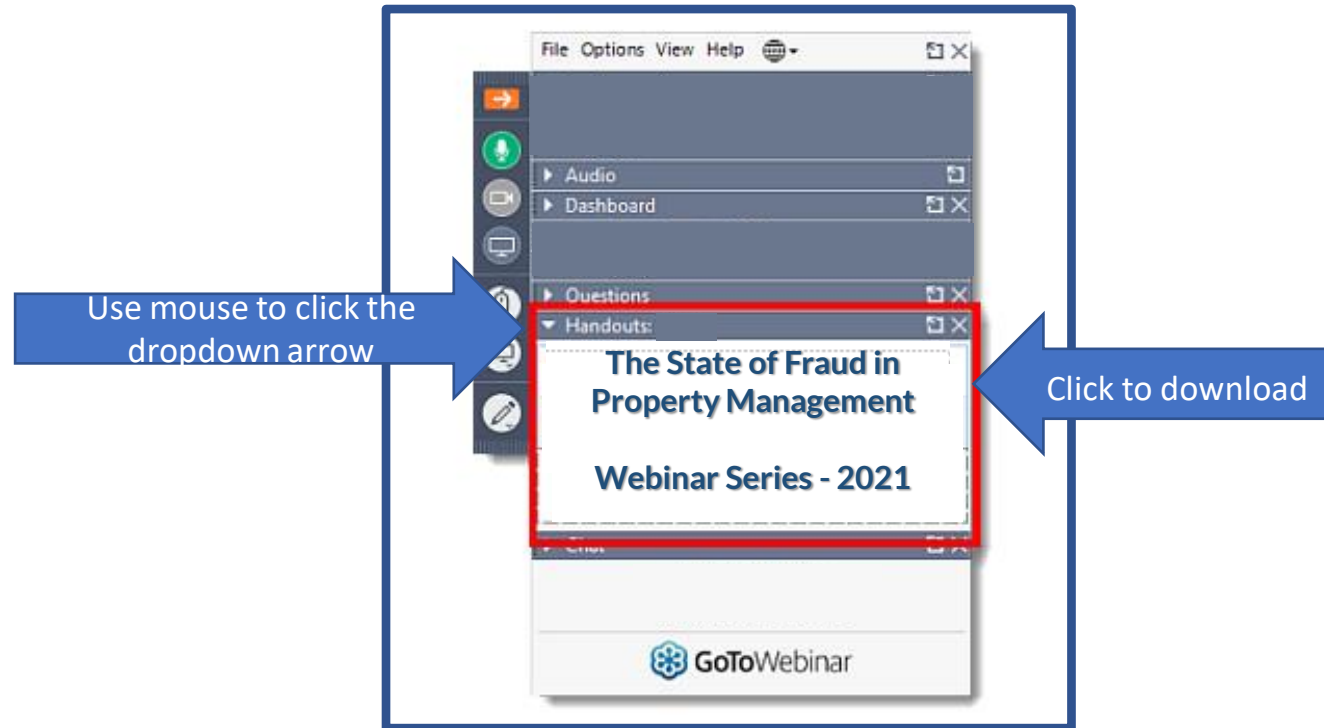


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# Welcome!



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**Presented by:**  
**Maitri**  
**Johnson**



## The State of Fraud in Property Management



Your FREE Webinar Today is Presented by Ellis, Partners and Edge2Learn

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# Thank you for joining us today!

## Want to learn more?



Pam Pederson

Director of Engagement and Communications  
Edge2Learn  
ppederson@edge2learn.com




# Today's Presentation!





## Meet Your Speaker: Maitri Johnson

- 
- Vice President Trans Union
  - Over 20 Years in Multifamily
  - National Speaker
  - Serves on the Screening Council for CDIA





# The State of Fraud in Property Management: Do you have a plan?

Presented by:

**Maitri Johnson**

**Vice President**

**Tenant & Employment Screening,  
TransUnion**



APRIL 29, 2021

# Today's agenda

- Fraud Facts
- Types of Fraud
- Detecting Fraud
- Best Ways to Reduce Fraud





# Fraud is happening today



**Bellingham, WA** (August) - A 52-year-old woman with previous convictions for drugs, theft and criminal impersonation was arrested attempting to rent an apartment under a stolen identity. She was caught when the victim of identity theft called to ask why her information was being used to apply for an apartment.

**Chicago, IL** (July) - "Empire" star Taraji P. Henson was just one of several identities stolen by a 26-year-old woman who ultimately abandoned at least one apartment rented under another stolen identity, leaving behind more than \$4,000 in damages and unpaid rent.

**Columbus, OH** (April) - A 28-year-old faces federal charges after allegedly using fake social security numbers, including two belong to children, to lease a car and rent three apartments over several years.

**West Norriton, PA** (September) - A 69-year-old woman was arrested with more than 50 stolen, cloned or fraudulent credit cards, as well as hundreds of stolen documents. Many of her victims lived in her apartment complex and the surrounding area.

**Richmond, VA** (August) - Police are working to identify a man who was evicted from an apartment, owning over \$7,000. The apartment was rented under a stolen identity.

**Los Angeles, CA** (September) - A surgical assistant at a prominent Los Angeles area hospital was charged with identity theft crimes worth hundreds of thousands of dollars, including a high rise apartment rented for more than \$10,000 a month under a stolen identity.

**Oxford, MS** (September) - A 24-year-old man was arrested after using fraudulent identity to obtain an apartment. Further investigation concluded that he had successfully rented apartments at two other complexes under false identity.

**Charlotte, NC** (July) - After her identity was comprised, a Charlotte doctor discovered that someone had successfully rented three apartments using her information. Police arrested the people occupying one apartment, including one with an outstanding warrant for assault.

**Charlotte, NC** (June) - A member of an identity theft ring was accused of cloning credit cards, illegally possessing a firearm and leasing an apartment. He had been arrested at least a dozen times since 2016.

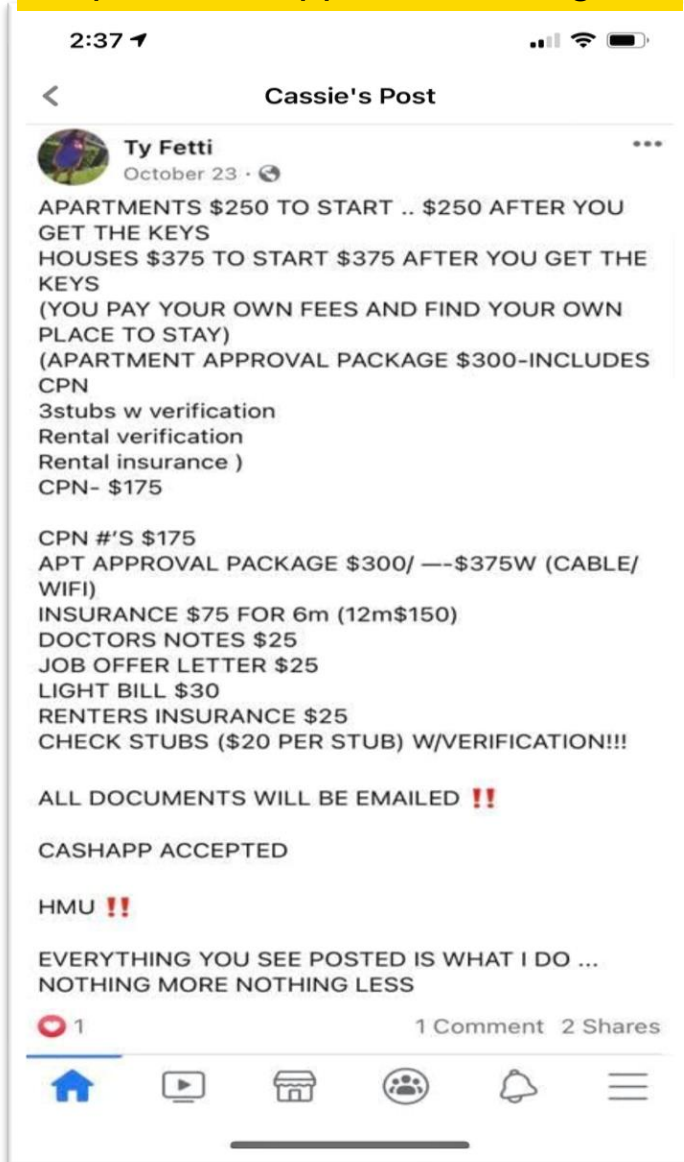
A person wearing a dark blue hoodie with the hood pulled over their head, completely obscuring their face. They are sitting at a wooden desk with their hands on a silver laptop. The background is a plain, light-colored wall.

The traditional view of what fraud looks like

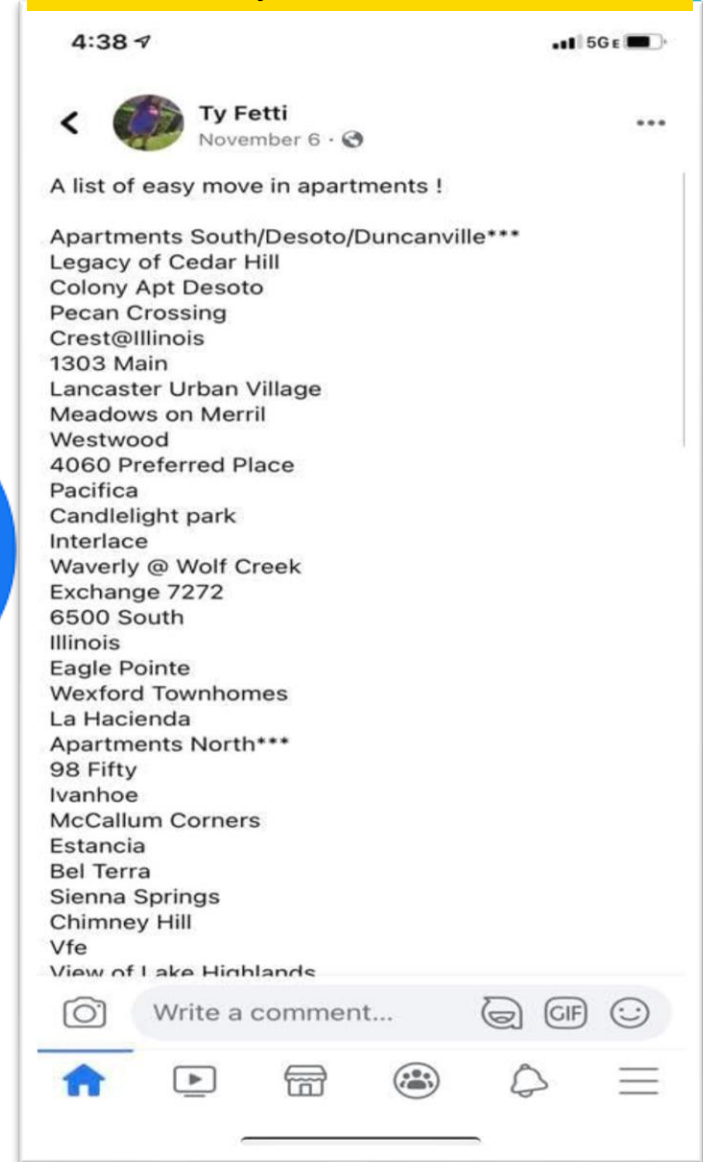
# This is what fraud looks like today!



## Apartment Approval Packages



## Easy to Move Into!







# FRAUD TODAY

LOOKS DIFFERENT,  
BEHAVES DIFFERENT,  
IMPACTS DIFFERENTLY.

# 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

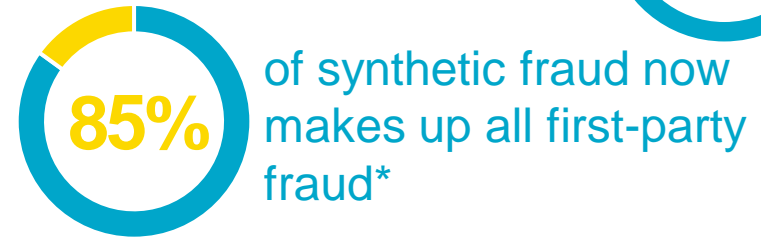
## Synthetic Identity Fraud

- 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

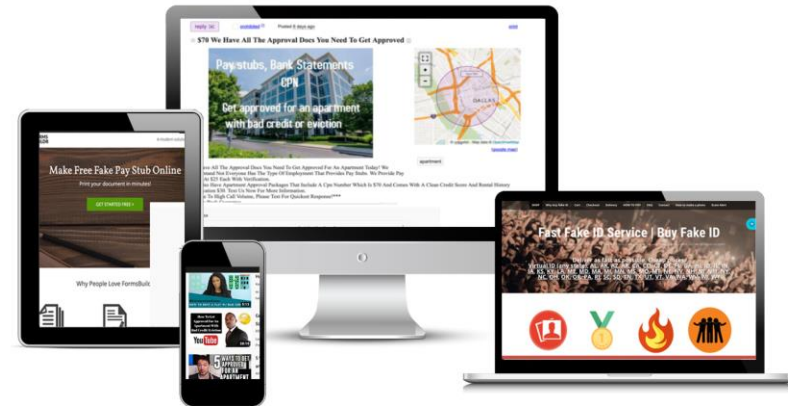
- More than \$1 billion in outstanding balances
- No third party victim to report the fraud and help stop it early
- Credit scores can be deceiving as synthetic fraudsters masquerade as good prospects to improve their credit

# Fabricated documentation



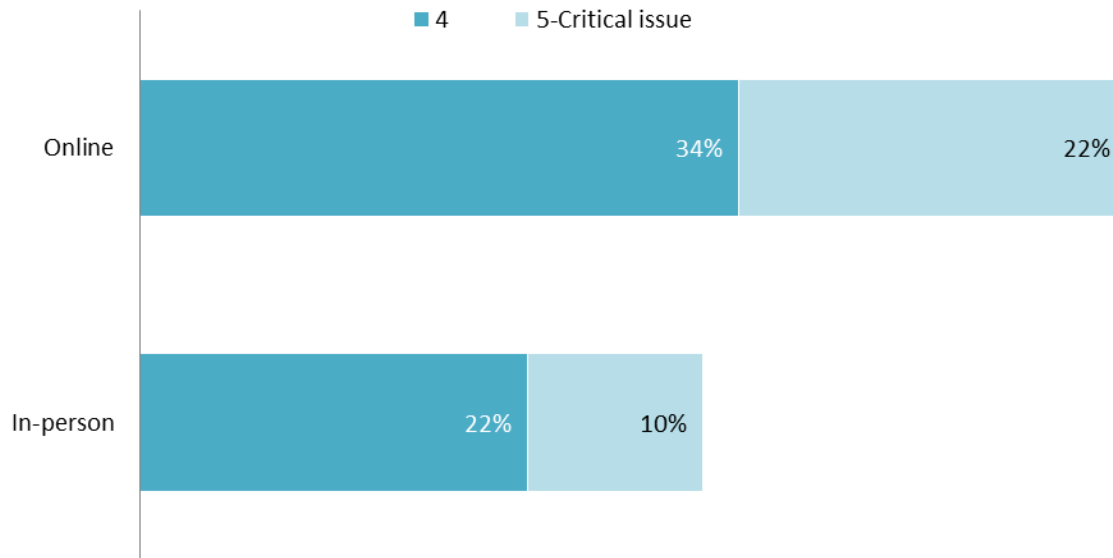
## Combination of real and fabricated information to evade screening services

- 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



# Applicant-based fraud is a bigger issue online than in-person

To what extent is applicant-based fraud an issue for your company for each of the following application methods? Please rate on a scale of 1 to 5 (1=not an issue to 5=critical issue).

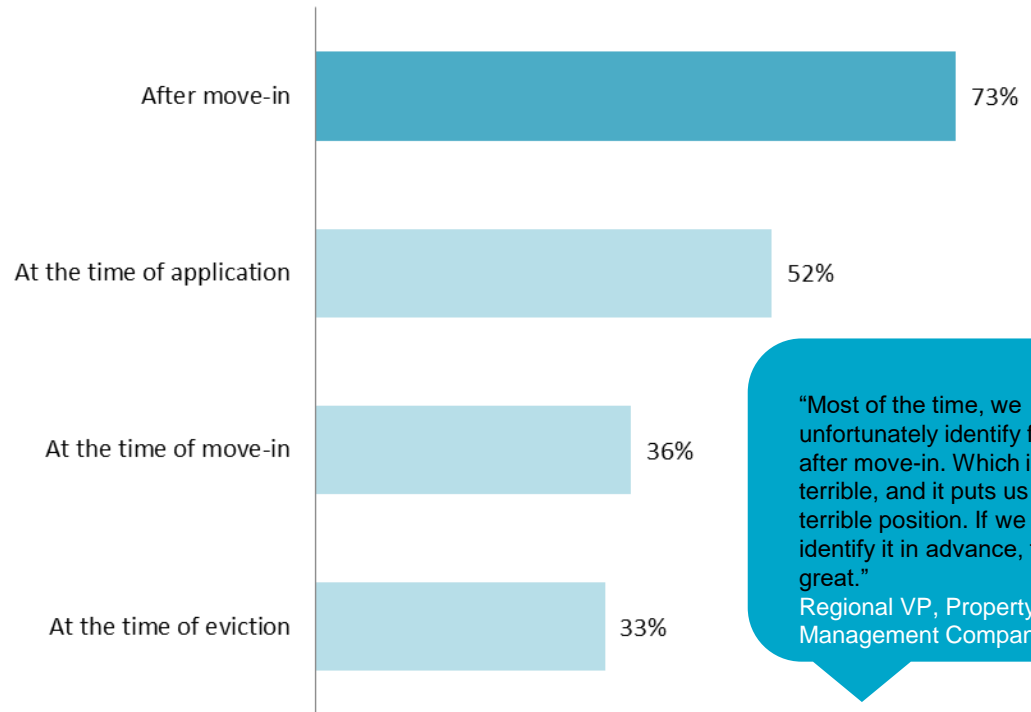


“[Applicant-based fraud] is a big issue, particularly in urban locations. We’re moving more into online fraud now, because we’re encouraging everyone to lease an apartment online, get their credit checks online, sign the lease online. We love being off paper, but sometimes we don’t meet applicants until they move in, so this increases the risk for fraud.”

Regional VP, Property Management Company

# 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



"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

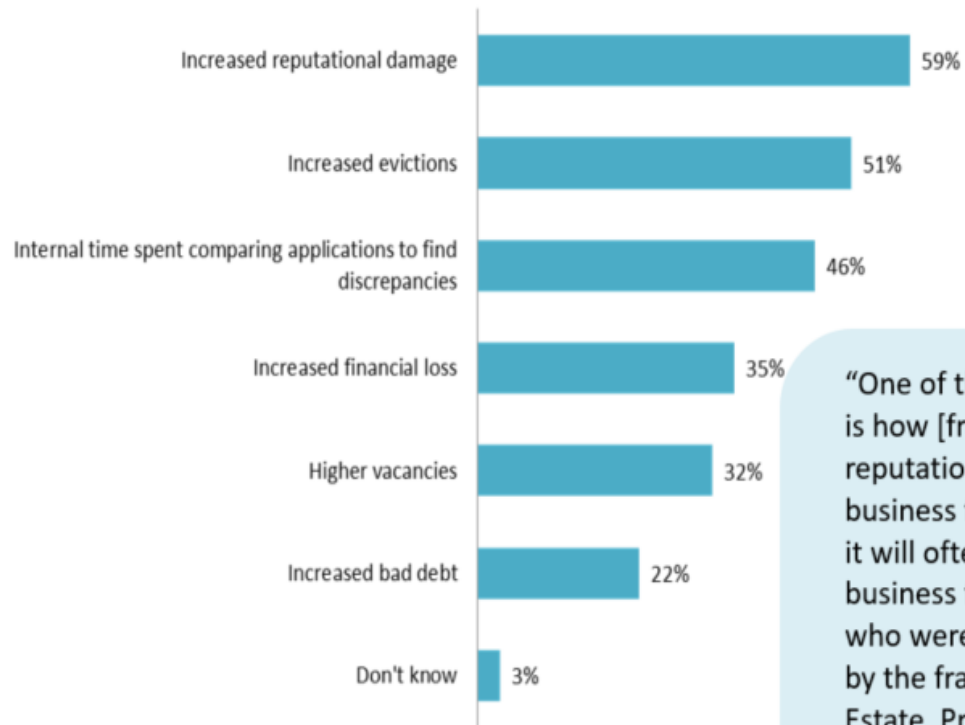
Most experience fraud after move-in, an indication that current methods are not keeping up with fraudsters and causes loss that could have been prevented.

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

# Impact of fraud on your organization

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

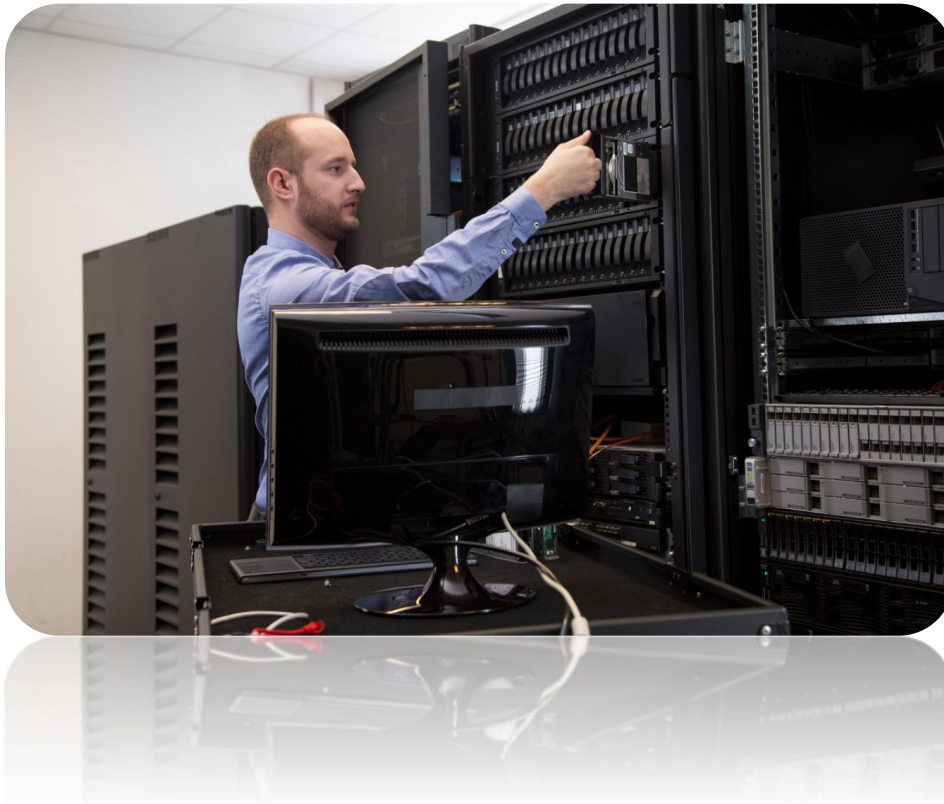
What impact did this incident or incidents of fraud have on your organization?



“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



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.

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.

# Recommendations

- Build a proactive and robust fraud management strategy
- Verify identification
- Enhance screening procedures through the integration of fraud technology
- Use a multi-layered solution

*Fighting  
Fraud*  
*We're In This  
Together*



# 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

# Not investing can be costly!



We've been between 8 to 10,000 units and growing to hit 20,000 in the next three years. [A fraud technology solution] wasn't as important five years ago, when we could speak with every applicant in person and verify information in person. Because we've expanded into the electronic world and are growing faster than we we're prepared for, it's becoming crucial to invest in a technology solution." –Property Manager, Real Estate Company




Maitri Johnson

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**Up Next: 5/13/21 at 1:00 PM CST**  
**12 Ways to Improve Written Warnings**  
*with Sue Weston*

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Questions?

# From All of Us at Ellis and Edge2Learn

