Early Warning®

Overcome Your Identity Verification Challenges—and Seize New Opportunities for Competitive Advantage

August 2024

Are your identity verification tools keeping up with industry challenges?

To combat application fraud, financial institutions (FIs) must be able to reliably verify a person's identity during account opening.

But doing so is harder than ever.

The shift to digital-first banking—which accelerated amid the COVID-19 pandemic—has exposed gaps in application systems.

And fraudsters are making the most of the situation.

Eighty-one percent[1] of FIs say application fraud increased in the wake of the pandemic—and the upward trend is continuing:

Annual DDA application fraud losses are predicted to reach $1.145M by 2024[2]

Annual credit card application fraud losses are predicted to reach $3,783M by 2024[2]

1 Synthetic Identity Fraud: Diabolical Charge-Offs on the Rise. Aite-Novarica Group, Feb. 2021

2 Application Fraud How do you solve a problem like identity, Aite-Novarica Group, December 2022

Synthetic identity fraud is one of the fastest growing financial crimes in the US.

$2.94B

in anticipated
fraud losses from
synthetic identities[2]

70%

are planning to increase
investment in prevention
solutions[1]

Synthetic identity fraud has emerged as a key area of opportunity for criminals, who see it as a long-term theft tactic that's exceptionally lucrative and difficult to detect. 62% of FIs believe that synthetic identity fraud is growing.[1]

Synthetic identities can be used to open bank accounts, apply for loans or credit accounts—and ultimately, create legitimate records with credit reporting agencies.

All of which can lead to fraud loss down the road. Many FIs are just beginning to understand the extent of the rise of synthetic identity fraud.

1 Navigating Synthetic Identity Fraud: Trends, Challenges, and Countermeasures in Banking, IDC, May 2024

2 Synthetic Identity Fraud: Solution Providers Shining Light into the Darkness, Aite Novarica, 2022

Demand for digital banking is on the rise— and staying competitive means delivering seamless experiences.

In addition to mitigating application fraud risk, modern identity verification tools should reduce friction in the digital application process.

Institutions that can onboard new customers quickly and securely have the opportunity for exceptional market growth.
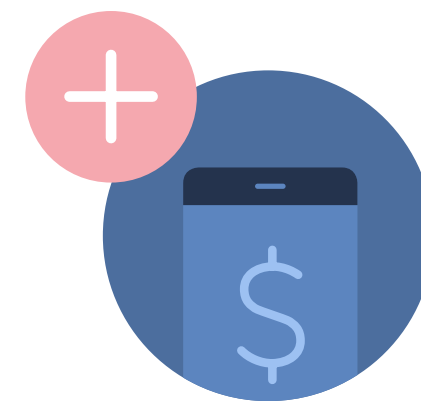
79% of customers say digital innovations in banking are making it easier to access banking services[1]
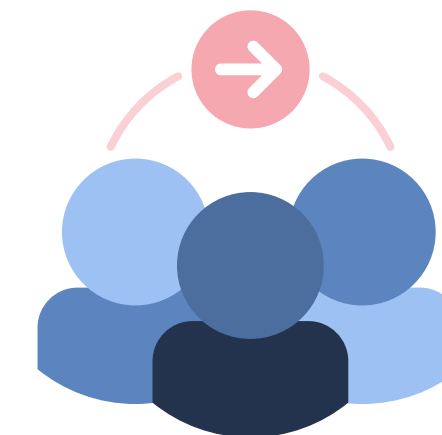
71% of consumers prefer to manage their bank accounts through a mobile app or a computer[2]

1   American Bankers Association, Press Release on Bank Satisfaction with Consumers, October 2023

2   American Bankers Association, Press Release on Consumer Banking Methods, October 2023

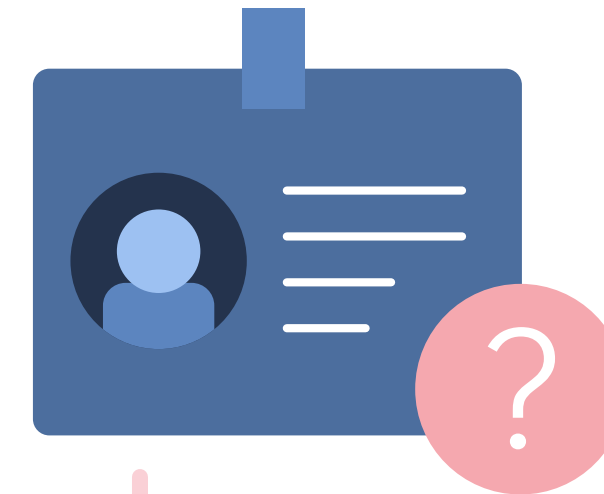# Banks and lenders need better identity verification tools.

As criminals continue to capitalize on blind spots with traditional fraud risk models, FIs need to update their onboarding systems with advanced identity verification tools that answer vital questions, like:
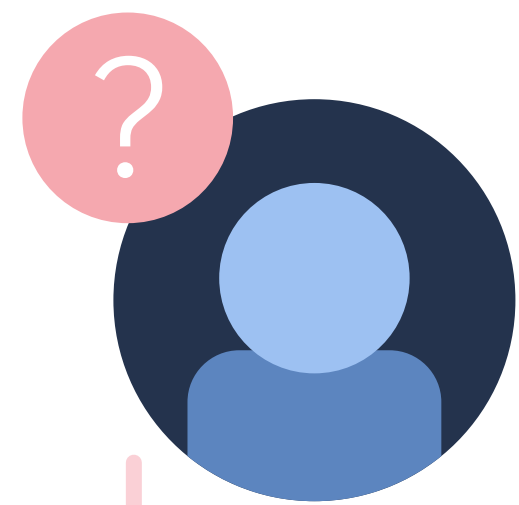
Is this person presenting true identity credentials?

Is this a synthetic Identity?

Does this identity match a verified Social Security number?

VERIFY IDENTITY:

Assess your applicants with confidence

All the identity verification capabilities you need, in a single solution.

Enhanced **Verify Identity** tools:

Identity Confidence Score

Assesses the likelihood that the applicant is presenting their true identity credentials

Data provided:
Predictive, analytical score (lower score = higher risk)

Synthetics Indicator

Detects synthetic or manipulated identities

Data provided:
Flags potential issues with specific pieces of personally identifiable information

Identity Attributes

Adds context to scores and indicators, enabling more informed identity risk assessments

Data provided:
Summary of attributes for each identity element associated with the inquiry

Verify SSN*

Confirms whether the applicant's name, Social Security number and date of birth combination matches a legitimate Social Security Administration (SSA) record.

Data provided:
"Yes" or "No" match response

*Verify SSN does not verify identities, eliminate synthetic identity fraud or reduce fraud. Verify SSN is only available to financial services organizations. Verify SSN is only available when paired with Predict New Account Risk

Trustworthy data starts with collaborative intelligence.

As the Trusted Custodian® of the National Shared Database℠ Resource, Early Warning® receives deposit performance data from thousands of financial institutions on a recurring basis.

The intelligence provides broad and deep coverage, with insights into millions of identities.

Contributed datapoints include:

- ✓ Transactions
- ✓ Date of birth
- ✓ Email
- ✓ Addresses
- ✓ Identification
- ✓ Account status and owner
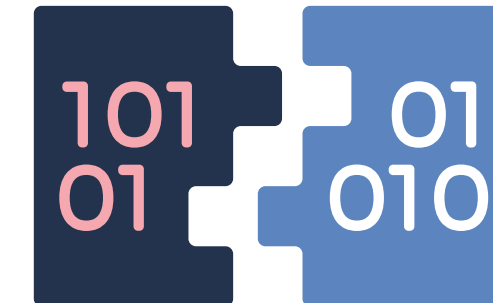
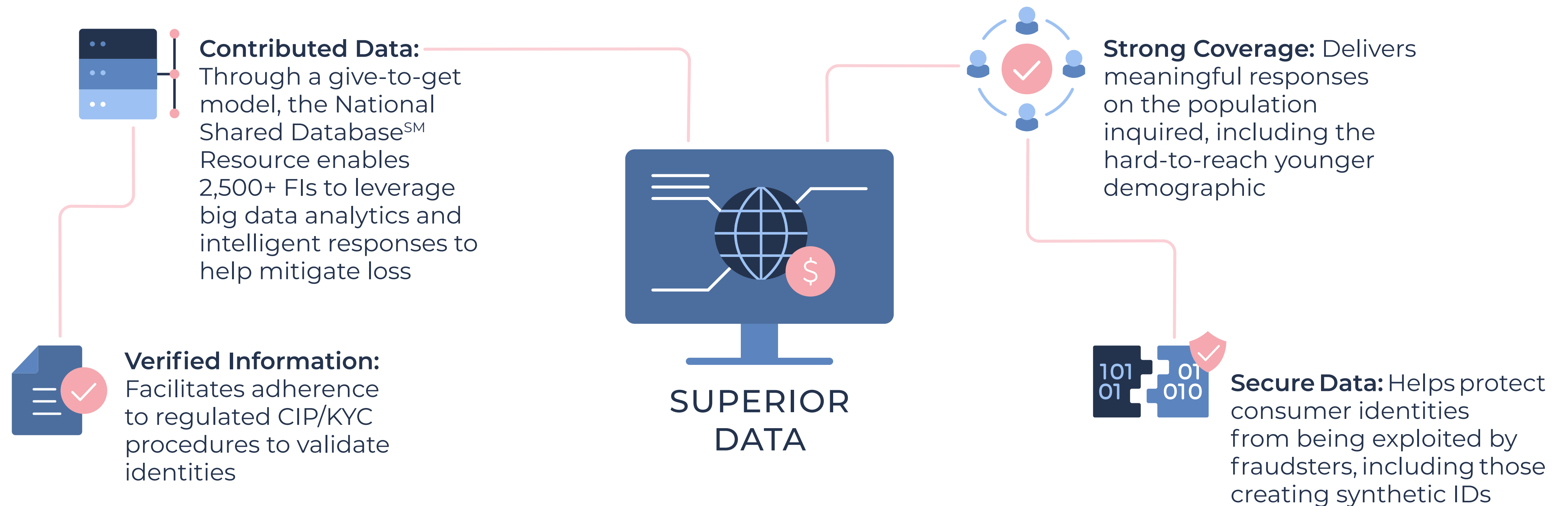Participant and scored account data on nearly 697 million deposit accounts[1]

Billions of transactional records contributed by a vast network of financial institutions

1   National Shared Database Report, March 2024

Superior data sets **Verify Identity** apart.

Contributed Data: Through a give-to-get model, the National Shared Database^{SM} Resource enables 2,500+ FIs to leverage big data analytics and intelligent responses to help mitigate loss

Verified Information: Facilitates adherence to regulated CIP/KYC procedures to validate identities

SUPERIOR DATA

Strong Coverage: Delivers meaningful responses on the population inquired, including the hard-to-reach younger demographic

Secure Data: Helps protect consumer identities from being exploited by fraudsters, including those creating synthetic IDs
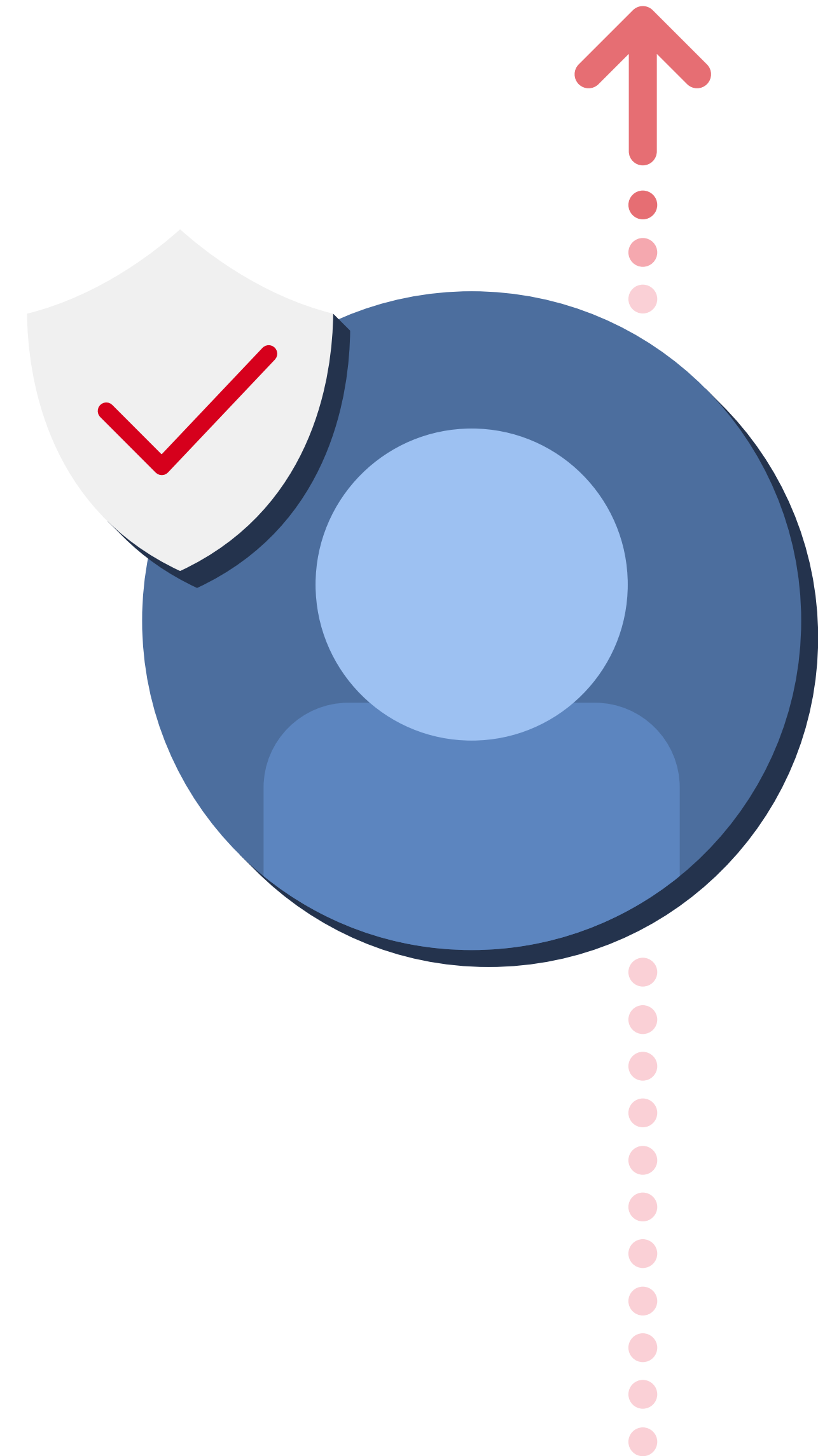
6 ways **Verify Identity** can help your organization

1 Increase identity confidence

Sophisticated algorithms and model statistics reduce false positives/negatives and detect synthetic identities.

2 Reduce identity fraud losses

Real-time access to identity intelligence allows you to detect fraudulent identities— before bad actors enter your system.

3 Enhance the customer experience

Inquiry-based, real-time solution lets you streamline your review of suspect identities— and advance legitimate consumers swiftly through your digital application process.
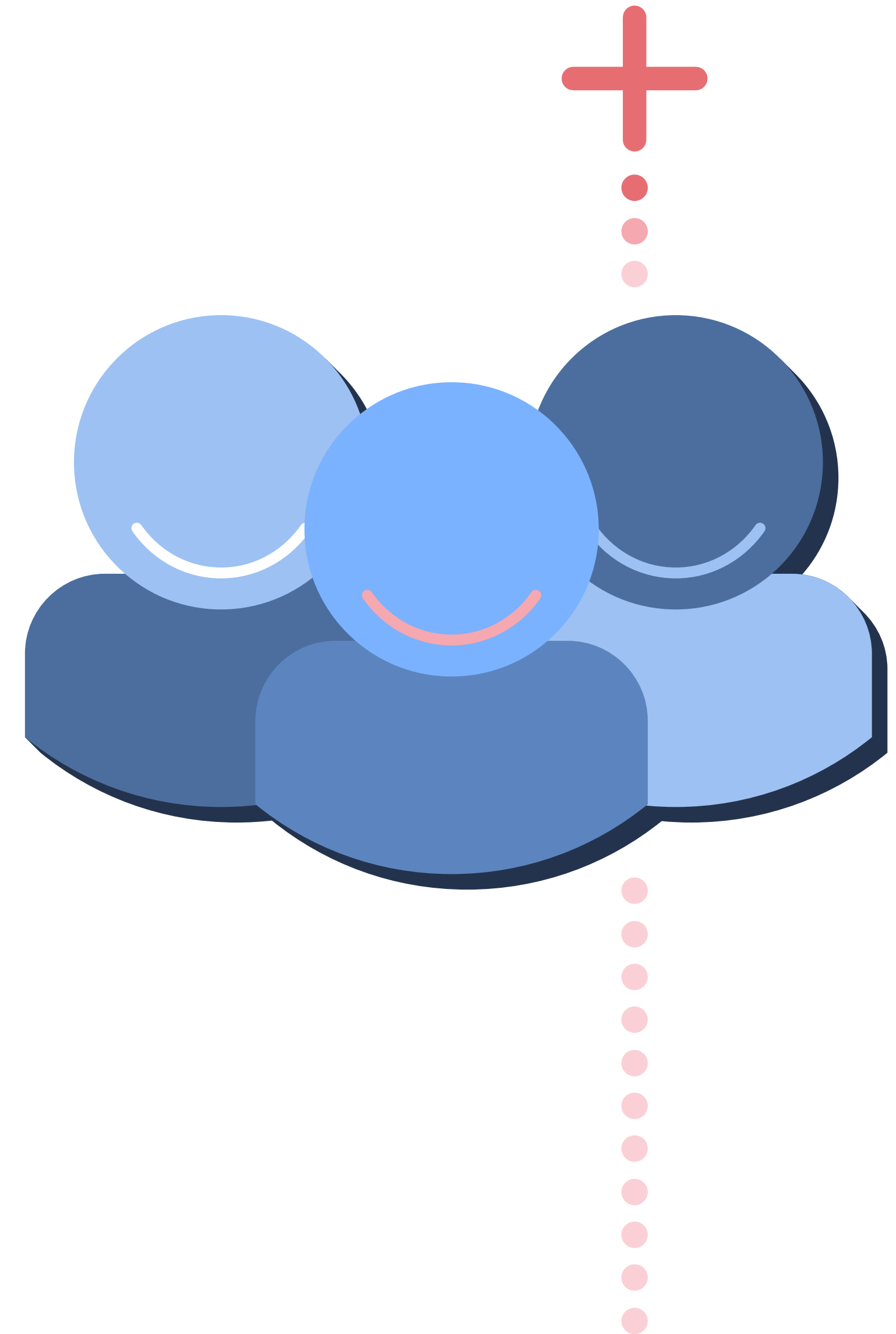
4 Combat synthetic identity fraud

Leverage enhanced insights—derived from data sets contributed exclusively to Early Warning® by thousands of banks—to reliably identify synthetics.

5 Leverage flexibility at scale

Our Decision Intelligence Platform relies on industry-standard RESTful API integrations to allow your developers more flexibility at scale. Modular capabilities delivered through this technology allow your organization to select and configure solutions based on your unique needs—enhancing your ability to make data-driven decisions that align with your specific risk tolerance—without major reliance on IT resources beyond initial integration.
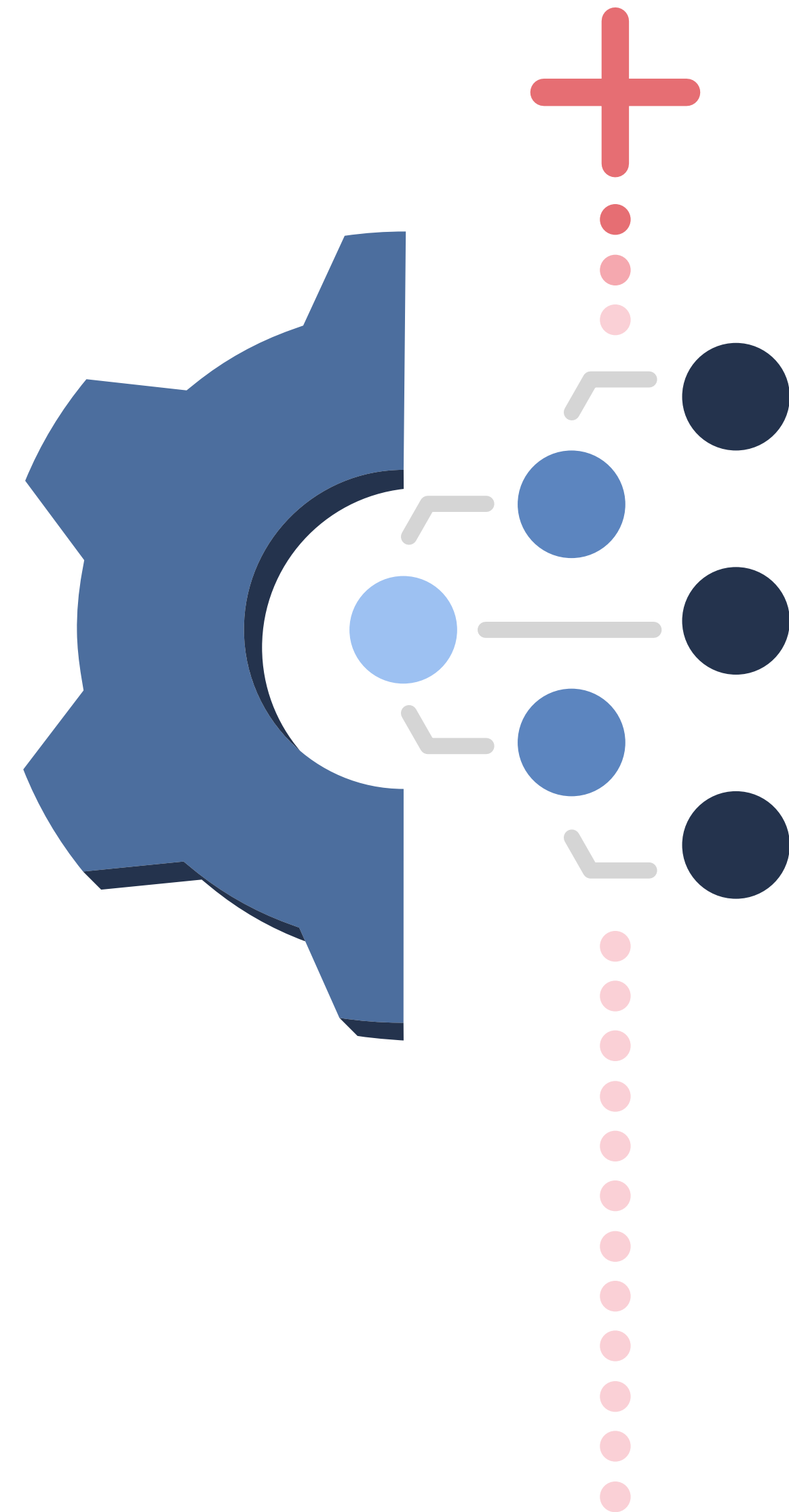
6 Meet evolving compliance requirements

Verify Identity scoring is compliant with Gramm-Leach-Bliley and can enhance your KYC (know your customer) and CIP (customer identification program) initiatives.

Use **Verify Identity** to inform your key business decisions—no matter how complex or simple.
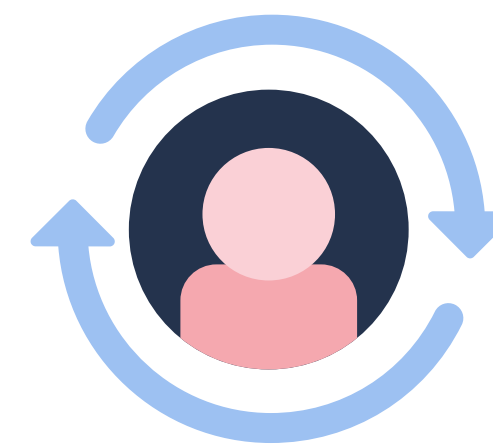
How **Verify Identity** Works

A consumer submits their personally identifiable information through your digital account screening system (online, mobile or in-person).

Early Warning® receives a real-time inquiry message about an applicant, along with an indication of which scores and data are requested.

Early Warning processes the inquiry information utilizing bank-contributed, third-party data and sophisticated algorithms and sends the FI intelligence in real-time.
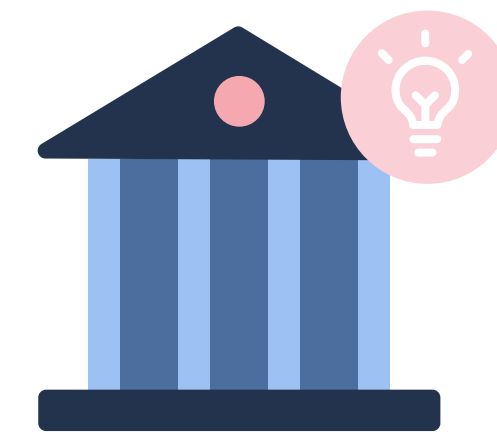
The receiving FI uses the requested intelligence to make an informed decision about next steps (e.g., proceed with the application, ask the consumer for additional identity information).

Want to learn more about how Early Warning can help streamline and enhance your identity verification?

Get in touch!

[FIRST LAST]

[Job Title]

[email]@earlywarning.com

earlywarning.com/products/verify-identity

About Early Warning®

Early Warning Services, LLC, is a fintech company owned by seven of the country's largest banks. For more than three decades, our identity, risk and payment solutions have been empowering financial institutions to make confident decisions, enable payments and mitigate fraud. Today, Early Warning® is best known as the owner and operator of the Zelle Network®, a financial services network focused on transforming payment experiences.

With a partner like Early Warning, FIs are empowered with an accurate, comprehensive solution that:

- ✔ Provides breadth and depth of deposit data, enabling a holistic view of a consumer's banking behavior

- ✔ Leverages real-time, predictive analytics that enable better-informed decisions

- ✔ Predicts the likelihood that a customer will default due to first-party fraud in the first nine months of account opening

- ✔ Ensures faster decisions and reduced friction which translates to a better customer experience