xnlogic

Fraud Prevention
No more $100k Cadillac DeVilles!

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Our Client
First Help Financial, a privately-owned automotive lender in Boston, Massachusetts, serves dealerships throughout the continental US. Our client needed to switch from fraud detection to fraud prevention.

The Business Challenge
Existing tools on the market aren't able to correlate identity and other information from multiple data sources in real time. This causes lenders to approve fraudulently-obtained loans. As a result, the lender operates in a reactive mode, attempting to bring fraudsters to court when loans turn bad, if they can even identify the perpetrators. Legal expenses magnify the cost of fraud and, unfortunately, the business has no choice but to absorb them.

First-party fraud (see this presentation on first-party fraud by our partner Neo Technology) accounts for an enormous—and growing—amount of "bad debt" in financial institutions. Consider:

- US banks lose tens of billions of dollars every year to first-party fraud
- First-party fraud represents 25% of total consumer credit charge-offs in the US
- Between 10% - 20% of unsecured bad debt at leading US and EU banks is misclassified and is actually first-party fraud

Fraud-related costs have much greater impacts on smaller and mid-market lenders than on the large financial institutions, which motivates them to put more effort into prevention rather than detection.

XN Logic's Approach
Our GraphDB approach allows us to solve even the most problematic instances of first-party fraud, for they enable us to detect even organized syndicates before they bust out, with both real and synthetic IDs. XN Logic recognized that each financial institution has its own way of doing things: its own databases, lending systems, and customer identity management. Each institution has its own data-model, which varies in complexity from data models elsewhere. Using the XN Logic framework we were able to rapidly declare the unique aspects of First Help Financial's data-model to ensure that its anti-fraud solution fit its business completely, and quickly. In this case the implementation phase took just five days: two days for data modelling and three days of integration.

Success for Our client
We were able to provide our client with in-process (real-time) fraud-prevention which they could easily integrate with their online loan application portals. As an additional benefit, we integrated their identity-based fraud-prevention system with a used-car pricing system for an additional level of fraud-prevention. No more $100k Cadillac de Villes!