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**BULLETIN:** **2020-KDCU-CUB-20**

**TO:** **Kansas Chartered Credit Unions**

**SUBJECT:** **SYNTHETIC IDENTITY FRAUD**

**SYNTHETIC IDENTITY FRAUD**

In a prior bulletin, the topic of Synthetic Identity Theft was discussed. Recently, KDCU examiners discovered evidence of possible synthetic identity fraud in an indirect loan file. When viewed in the light of the recent CU Times article reporting the indictment of 13 persons and three businesses in connection with a nationwide scheme, it seemed like a good time to revisit this issue.

In the recent discovery, the indirect loan application contained a number of red flags, including ages that did not match, a Social Security Number (SSN) out of range and only eight months of credit history. A mishmash of personal identifying information (PII).

Here is a refresher course on how it works. The criminal creates a new identity using a variety of methods: a completely fictitious identity without any real PII to a combination of real and fake PII to form a new identity. While the first attempt to obtain credit may be denied, the credit bureau automatically creates a new credit profile since the "applicant" is considered new. If the criminal is persistent, eventually a credit application will be approved as an artificially high credit score has been established. The criminal may attempt to expedite the process by "piggybacking" as an authorized user on to an account with good credit. Because of the mixture of PII, a fraud alert may not stop illegal activity.

Once approved, the criminal can see their credit score artificially rise and secure larger extensions of credit. At that point, the criminal maxes out the credit line and vanishes. In the alternative, identity theft may be initially claimed and the balance wrote off. Then, the criminal maxes out again and vanishes for good.

As with many scams, this fraudulent activity has picked up a name: "Frankenstein." A recent CNBC article details the loss taken by Notre Dame Federal Credit Union. Because of how the ID is fabricated, the credit union is not likely to have someone complaining of identity theft.

This type of fraudulent activity is only exacerbated by the current COVID-19 pandemic. In addition, fraudulent unemployment claims have increased in all 50 states. The State of Kansas recently experienced an influx of 45,000 bogus claims.

Credit union staff must be even more vigilant for these types of threats to not only protect their members, but to protect the credit union.

**NOTE:** In accordance with Governor Laura Kelly's Executive Orders and the Ad Astra Plan, KDCU Administrator Jerel Wright continues to review the feasibility of resuming the on-site examination program. This is being done in coordination with the NCUA.