
FRAUD DETECTION AND PREVENTION IN THE MARINE & POWERSPORTS INDUSTRY





MRAA is the Marine Retailers Association of the Americas, a membership organization representing more than 3,500 individual rooftop locations. Our members manage the leading dealerships, marinas, service organizations and other marine retail locations across North America and provide the direct link between today's boaters and the on-water experience they seek.

Powered by a professional, passionate team, MRAA is the premier source of learning, knowledge and future-oriented research for the dealership management profession, and provides tools, resources, education, ideas and advocacy to enhance the power and performance of the marine industry.

Our "Why"

At the Marine Retailers Association of the Americas, we believe that the success of the marine industry begins and ends with the success of our dealers – the retail organizations that deliver sales and ownership experiences to today's boaters. These organizations must deliver on the promise of the boating lifestyle every single day with every single interaction. Their success drives the success of our entire industry.

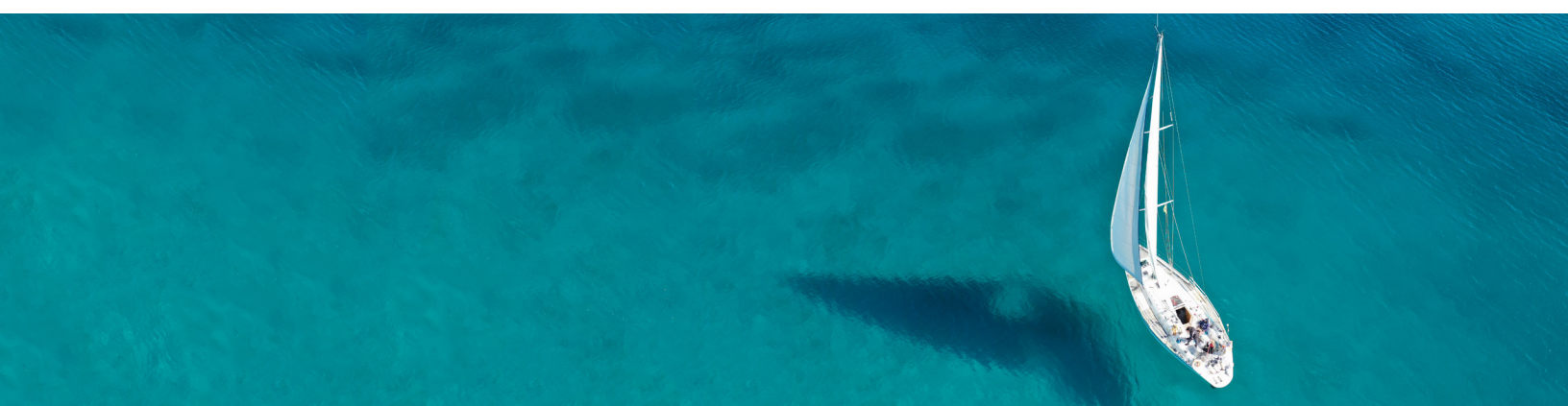
As the leading training and education organization for the marine dealer body, MRAA fuels the success of the boating industry by delivering dealerships implementable tools, resources and education programs they can use to strengthen their organizations and find the success they desire. Stronger dealers lead to stronger manufacturers and suppliers, which lead to a stronger industry. And in the midst of it all, MRAA promotes and protects that success by serving as the voice of those dealers, continuously working to ensure a business environment that is conducive to boat sales and retail operations.

Our Value Proposition

The MRAA, which is run by boat dealers for boat dealers, produces world-class educational programs and resources, and as a nonprofit trade association, reinvests its success back into the boating industry.

Our Guarantee

We guarantee our promise to deliver implementable ideas, insight and inspiration that lead to greater levels of success. We will not be happy until you are. If any MRAA programs, products, or services do not fulfill our promise, we will make the situation right or refund your money.



It's a Matter of Trust

As a business owner and company leader, it's important that you're aware of potential threats to your dealership's health. One such threat that is on the rise is identity fraud – in the form of identity theft, synthetic ID fraud, driver's license fraud and income and employment fraud. The advent of technology has contributed to an increase in the sophistication of these efforts, which now stretch far beyond a stolen checkbook and someone "borrowing" another person's social security number.

And clever fraudsters, who are well-versed and well-equipped with evolving tactics featuring artificial intelligence and high-tech learning tools, have made it difficult for all of us to identify untruthful data.

That means it's easier and more likely than ever that – without the proper tools and training – you and your team could end up wasting time and losing money on thieves instead of investing in your dealership's success.

That's why we've partnered with 700Credit, an MRAA Education Champion, to help your team identify and combat the types of fraud most likely to affect your dealership today. This MRAA 700Credit Mini-Guide, "Fraud Detection and Prevention in the Marine & Powersports Industry," will provide your team with preventative solutions so you can mitigate risk and avoid hits to your company's profitability.

Fraud isn't going away, so it's vital to know what to watch for, implement safeguards to shield your business and stay connected to companies like 700Credit that monitor it and offer solutions to help prevent it.



A handwritten signature in black ink, appearing to read 'J Kelley', written over a horizontal line.

Jerrod Kelley,
Content Manager, MRAA



Dealership Fraud: An **\$8.1 Billion** Problem

At marine and powersports dealerships nationwide, tightened inventory and inflation have pushed affordability to its lowest point in recorded history. Since inflation hit the lending market, the value of marine and powersports vehicles has climbed, and by November 2022,¹ the Affordability Risk Index had surged 152%.

As affordability risk rises, fraud risk increases, and consumers and dealerships are more likely to stretch the truth or outright lie to get their loans approved and funded. This has been borne out in the data, as marine and powersports dealership fraud is rising.

This rise in fraud risk has led to concern among many industry professionals. Yet, effective fraud prevention tools can be difficult to find, as new technologies are creating fraudsters that are remarkably adept at circumventing legacy prevention methods. Today, many of today's criminal enterprises "operate with the sophistication and technical expertise of a global corporation, leveraging modern technologies like artificial intelligence (AI) and machine learning (ML) to automate their efforts to compromise consumer accounts ... at scale."²

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Types of Fraud Affecting Marine & Powersports Dealerships

Unfortunately, multiple types of fraud have been identified and quantified as negatively impacting dealerships today.

Here are some of the most prominent:

- 1. Identity Theft**
- 2. Synthetic ID Fraud**
- 3. Driver's License Fraud**
- 4. Misrepresentation of Income and Employment**

This paper presents each and discusses solutions to detect and prevent each type of fraud.

Identity Theft

Until the last couple decades, “identity theft” was simple enough for nearly anyone to comprehend. It essentially consisted of stealing or fabricating identifying documents, such as driver’s licenses, passports or social security numbers. As such, identity theft has always been a major source of frustration for anyone dealing in credit or large-scale financial transactions. And despite a marked rise in the scope and sophistication of fraud in today’s digital world, the core of identity fraud – essentially stealing someone’s identity for financial gain – remains a major issue.

In a survey of more than 750 dealership professionals, 62% listed identity fraud, due to stolen or fabricated identification, as the top fraud challenge at their business³.

While it will likely be impossible to ever put an end to identity theft entirely, there are several effective prevention methods that marine dealers can use to protect their businesses.

How to Combat Identity Theft

- **Red Flag Software:** This software is designed to scan dealership customer logs for red flags – data that might appear genuine on the surface, but that is marked as suspicious by sophisticated computer programs. High-risk applicants, a suspicious social security number, driver’s license or address are all among the dozens of factors that might draw a red flag alert.
- **The Office of Foreign Asset Controls (OFAC):** is a government agency whose mission is to administer and enforce U.S. economic sanctions programs to accomplish foreign policy and national security goals, primarily as they relate to terrorists and drug traffickers. OFAC requires retailers involved in large-scale purchases, including marine and powersports dealerships, to screen customers’ names against a Specially Designated Nationals and Blocked Persons List, commonly referred to as the SDN list, prior to a sale.

Screening customers prior to a sale for dealers is mandatory, with a failure to comply potentially incurring fines up to \$20 million, and up to 30 years in prison, as well as up to \$65,000 in civil penalties for every violation.

- **ID Match:** Another method that can be used to verify the name and address of a person applying for dealership financing, ID Match allows a dealership professional to compare customer information with the info that the credit bureau has on file.



Synthetic ID Fraud


While the possibility of identity theft/fraud has always been a risk during any major financial transaction, synthetic ID fraud poses a new threat that's at least as concerning as previously known fraud prospects. Synthetic ID fraud is the fastest-growing type of financial crime in the U.S.,⁴ with synthetic identity and identity theft cases rising by 45% since 2018.

How Synthetic ID Fraud Works

Synthetic ID fraud is a type of identity theft in which a fraudster uses a combination of both accurate and false personal data to build a synthetic identity. This data might include elements such as a fabricated name and address, and a stolen social security number. This type of fraud can be difficult to spot, particularly in a digital or automated world. It often goes unnoticed until it is too late and multiple accounts have been opened with a single falsified identity, which can be painful for all involved.

How to Combat Synthetic ID Fraud

- **Assign Scores Based on Connections within Data:** Since synthetic identities are built on a variety of pieces of data – some that may be stolen, others that may be fully fabricated, it's important to not only evaluate each discrete piece of data independently, but also in relation to the other pieces of data. More connections would lead to a higher score, and vice versa.⁵
- Each credit bureau has a unique solution for combating synthetic ID fraud, illustrating just how complex and challenging this type of fraud has become.



"Synthetic ID fraud is the fastest-growing type of financial crime in the U.S., with synthetic identity and identity theft cases rising by 45% since 2018."

Driver's License Fraud

Between 2017 and 2022, the information from more than 150 million U.S. driver's licenses had been compromised due to data breaches or failure to secure a database, meaning there are millions of driver's licenses accessible for fraudsters to utilize.⁶ What's more, the 2021 Consumer Aftermath Report found that 57% of all respondents who experienced government-related fraud reported fraudsters had obtained driver's licenses in their name.⁷

How to Combat Driver's License Fraud

- **Mobile Authentication:** A mobile authentication solution allows a customer to take a photo of their ID document, along with a selfie, right on their own mobile device, and submit it for processing. The documents are then vetted within seconds, allowing a salesperson to validate customer data quickly, ensuring they can seamlessly continue the sales process without putting themselves or their dealership at risk.
- **In-Store Verification Scanners:** Currently, most dealers utilize scanning technology to scan a person's driver's license to satisfy compliance. While scanning a driver's license is important, the proliferation of digital and online shopping makes verification of a customer's identity and validation of their documents even more critical, since in-person facetime is often minimized, and in some transactions, eliminated completely.

This additional step can also aid in red flag, OFAC and synthetic fraud checks. However, some estimates show that as much as 95% of dealers today still don't include a verification step in their Driver's License checking procedure.

"Between 2017 and 2022, the information from more than 150 million U.S. driver's licenses had been compromised..."



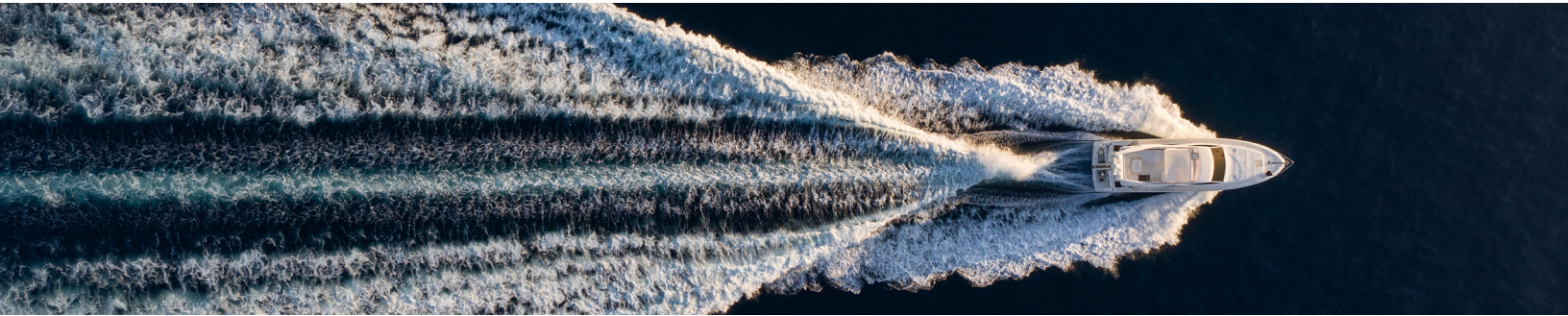
Income and Employment Fraud

A recent survey found that income misrepresentation was listed as the number one fraud concern by dealers, with falsification of employment verification not far behind, at number four.⁸

Fortunately, there are several ways to defend against income and employment fraudsters.

How to Combat Income and Employment Fraud

- **Income and Employment Verification:** This solution can be used to acquire instant access to employer-provided data that is as recent as the consumer's latest paystub. By receiving information such as past and present employer names, employment status, job title and annualized income calculations, dealers can significantly reduce fraud risk. Meanwhile, insights into job tenure can provide further insight into repayment risk beyond what a credit score alone reveals.



Protecting Marine, RV and Powersports Dealerships In a Challenging Environment

While today's highly digitized, interconnected world provides countless advantages for commerce and communication, it has also not only exacerbated traditional identity fraud, but allowed for the devising of wholly new, complex and advanced fraud risks.

As economic conditions deteriorate for the average consumer, the increasing opportunities for fraud are likely to mean even greater risks for marine, powersports and RV dealerships. Within this difficult climate, 700Credit has its finger on the pulse of all types of fraud affecting dealerships today. Their team is continually monitoring solutions to address every type of fraud that vehicle dealers face.

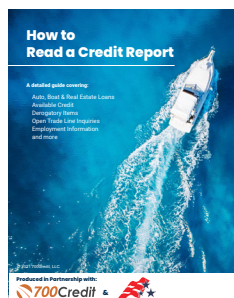
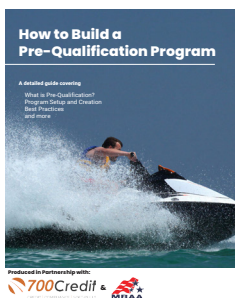
700Credit offers effective solutions to combat each type of fraud outlined above, including Identity Verification, Synthetic ID Fraud, Driver's License Fraud and Misstatement of Income and Employment. For more information on how you can protect your dealership from identity fraud, please contact 700Credit.

References

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Additional Resources

700Credit and MRAA have partnered to produce the following guides:



About MRAA

At the Marine Retailers Association of the Americas, we believe that for the marine industry to thrive, the retail organizations that interact with the boaters in their community must thrive. With that in mind, MRAA works to create a strong and healthy boating industry by uniting those retailers, providing them with opportunities for improvement and growth, and representing them with a powerful voice.

For more information, visit <http://MRAA.com> or contact us at 763-315-8043.

About 700Credit

700Credit is the automotive industry's leading provider of credit reports, compliance solutions soft pull products, identity theft and driver's license authentication platforms. The company's product and service offerings include credit reports, prescreen and pre-qualification platforms, OFAC compliance, Red Flag solutions, 2022 Safeguards protection, Synthetic Fraud Detection, Identity Verification, score disclosure notices, adverse action notices and mobile and in-store driver's license authentication solutions.

For more information about 700Credit, visit www.700credit.com.

THE KEY TO IMPROVING YOUR BUSINESS IS EDUCATION

The MRAA is proud to partner with these
Education Champions — leading the way for dealer growth.

