

Dealers Report Dramatic Increase in Identity Fraud: Most Lack Effective Protection

Identity fraud has increased at 84% of dealerships, with 60% losing three or more vehicles in the last year; dealers blame increasing digitization of deal, but only one-third report adequate fraud protections, according to new eLEND Solutions survey of auto dealerships

FOOTHILL RANCH, Calif. ([PRWEB](#)) October 25, 2022 -- Identity fraud has increased dramatically in auto dealerships since the pandemic, with 60% of auto dealerships reporting the loss of three or more vehicles to it in the past year, according to the new report, "[Is Identity Fraud Jeopardizing Digital Retailing Profitability](#)," from automotive fintech innovator eLEND Solutions. The report, based on a survey of over 700 auto dealerships across the U.S., reveals that while dealerships cite identity fraud as their top fraud challenge/concern, and almost unanimously agree that its increase is because of the increased digitization of the deal, 67% lack adequate identity fraud protections.

"The pandemic changed a lot of things in the auto industry – and that is particularly true when it comes to fraud which, as this report underscores, is causing more and more losses for dealers – an estimated \$619 million[1] for franchise dealers alone," said Pete MacInnis, CEO, and Founder of eLEND Solutions. "Economic conditions and, especially, increasing digitization of the car buying process are driving more fraud but, unfortunately, this report reveals that most dealerships have not implemented ID verification technologies that can prevent it."

According to the report, 84% of dealerships have directly experienced identity fraud at their dealership since the pandemic, with a third seeing an over 20% increase in identity fraud-related activities since the pandemic started. And, in just the past year, 79% directly experienced an identity fraud-related vehicle loss at their dealership.

When asked to explain the increase in identity fraud, 95% relate it directly to the increase in the digitization of the deal and remote buying experiences, with 86% predicting that as more of the transaction moves online, identity fraud will increase and become harder to prevent. The report also reveals that losses are not limited to identity fraud, with the vast majority of dealerships reporting an increase in loan application fraud in the past year. Seventy-seven percent saw a 10- 20% increase or more, with over one-third reporting that one in every 100 applications at their dealership was fraudulent.

The report also investigates what dealerships have been doing to prevent fraud: "photocopying the driver's license / ID" (64%) is number one, with the "Red Flags Rule" (56%) at number two. Only 33% reported using critical document authentication as part of their process, a significant disconnect.

"Without actually validating/authenticating ID documents and buyer identities, dealerships remain particularly vulnerable," said MacInnis. "As more of the transaction becomes digital, embracing ID verification technologies that include forensic authentication of the driver's license document, in conjunction with matching data extracted from the document against hundreds of databases, can easily help dealers minimize fraud risks before it becomes an expensive problem."

Dealers were also asked about the timing of their credit pulls, a practice that rapidly evolved once the pandemic prompted more of the process to move online. As compared to 2018, when only 8% of dealers said they pulled

credit before the test drive, today 40% report doing so, with only 20% today waiting until right before the F&I handoff, versus 39% in 2018.

“This shift in credit pull timing is a dramatic and positive change in the way auto dealerships do business and, with the right technology in place, has positive implications for preventing fraud if dealerships take the opportunity to validate customer identity upfront with the simple swipe of a driver’s license – but only if document authentication is part of that process,” concluded MacInnis.

Key Data Takeaways

- 84%, say there has been a noticeable increase in identity fraud since the pandemic.
- 79% of dealers experienced an identity fraud-related vehicle loss at their dealership in the past year.
- Seventy-nine percent say that identity fraud has increased in their dealerships by over 10%, and nearly one-third say it has increased between 21% and 30%, or more.
- 60% reported a loss of three to five vehicles, or more, in the last twelve months.
- 89% of dealerships report an increase in loan application fraud in the past year.
- 34% report that one in every 100 applications at their dealership was fraudulent.
- 95% track identity fraud to the expansion of remote buying experiences and the digitization of the deal.
- 86% agree that as more of the transaction moves online, identity fraud will continue to grow and become even more challenging to prevent.
- 67% do not include driver’s license document authentication to protect themselves from identity fraud.
- 40% report pulling credit before the test drive, vs 8% in 2018.
- 93% say that if a driver's license scan could be converted into a consumer consented pre-qualification it would be a meaningful benefit.

To download the report: “Is Identity Fraud Jeopardizing Digital Retailing Profitability” [click here](#).

About eLEND Solutions: eLEND Solutions™ (DealerCentric rebranded) is an automotive FinTech company focused on deal generation solutions – that power transactional digital buying experiences for the retail automotive industry. The platform specializes in digital credit, identity, and finance solutions for remote and in-store shoppers, designed to accelerate conversions of digital end-to-end purchase experiences concluding with fundable, transactable deal structures.

For more information, please visit <http://www.elendsolutions.com>.

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[1] Estimate based on 80% of dealers reporting 1-2 vehicle losses (1 vehicle estimate) & 60% of dealers reporting 3 or more vehicles losses (3 vehicles estimate) with average loss per vehicle of \$21,000. Sources: NADA Data 2022 | Mid Year Report <https://www.nada.org/media/4694/download?inline> 2022 Auto Fraud Trends Report <https://pointpredictive.com/wp-content/uploads/2022/03/2022AutoFraudTrendsReport.pdf> Recovering From Fraud Is Painful and Costly for Dealerships <https://www.autodealertodaymagazine.com/366576/fraud-against-car-dealers-has-never-been-more-prevalent>



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