

Small and Mid-sized Business Lenders Are Fraudsters Favorite New Target

Do you have the right defenses in place to protect your business?

A COSTLY TREND

Small and mid-sized business fraud is on the upswing and more costly than ever

7.3%

Over the past 24 months small and mid-sized business (SMB) lenders have experienced a **7.3%** increase in fraud

8.6%

The increase in fraud was higher for larger banks (>\$10B in assets) at **8.6%** and digital lenders at **8.2%**

5.8%

Fraud losses as a percentage of revenues amount to **5.8%** for digital lenders

4.5%

For small banks/ credit unions (<\$10B in assets) fraud losses as a percentage of revenues amount to **4.5%**

CREATING THE PERFECT CLIMATE FOR FRAUD

SMB lenders' commitment to elevating the customer experience has also created the perfect climate for rampant fraud

Increased focus on a streamlined loan process



Ideal factors that fuel fraud



Common SMB Fraud Profiles



Multiple transaction channels



Loan decisions with less information



Compressed lending cycles



Aversion to the delays of verifying both an individual and a business entity



A wealth of breached identity info from a cross-section of global industries



Higher payouts than consumer fraud



Complex loan structure inhibiting fraud detection



Legitimate business & fake consumer/owner identity



Bogus business & fake consumer/owner identity



Bogus business* & stolen consumer/owner identity



Stolen legitimate business identity & stolen consumer/owner identity



Legitimate business & legitimate consumer/owner identity

*A bogus business is either an existent or non-existent business entity fabricated to commit fraud.

NO LENDER IS IMMUNE TO THE IMPACTS OF SMB FRAUD

71% of smaller banks and credit unions (<\$10B in assets) experience the fraud type of using legitimate business with a fake consumer/owner identity

81% of digital lenders experience the fraud type of using a bogus business with a fake consumer/owner identity

49% of lenders surveyed feel SMB fraud is more complex than consumer fraud

43% of lenders surveyed feel they are very effective at identifying SMB lending fraud

TECHNOLOGY TOOLS MAKE THE DIFFERENCE IN EFFECTIVELY FIGHTING SMB FRAUD

Conquering SMB fraud starts with sophisticated technology tools and dedicated resources to proactively identify and closely track fraud attempts and incidents. A multi-layered fraud strategy supports a 360-degree view into the business and the people associated with the business:



Consumer and Business ID verification



Authentication



Consumer and Business fraud analytics



Industry consortium knowledge

94%

of the businesses in our study who were the most effective at preventing SMB fraud engage in special fraud prevention initiatives



SMB entity ID verification



SMB owner verification



Business fraud analytics



Consumer fraud analytics

A LAYERED SOLUTION PROVIDES THE BEST RESULTS

For organizations using **6 or more fraud tools**, SMB lending fraud as a percentage of annual revenues equals **2.3%**.

2.3%

5.6%

For those using **3 or fewer fraud tools**, SMB lending fraud as a percentage of annual revenues equals **5.6%**.

Let us help you design a multi-layered fraud defense that balances critical business objectives with an optimal fraud prevention strategy.

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