Small Business Lending Fraud Continues to Climb

Fraud risk for small and midsize businesses (SMBs) is surging, making it difficult to balance fraud mitigation practices with the customer experience. The 2023 SMB Lending Fraud Study from LexisNexis® Risk Solutions provides the latest statistics and robust practices to combat fraud.

Overall SMB lending fraud grew 14.5% since 2021
The dramatic shift to remote channels accounted for 46% of this increase

- **2021:** 4.1% growth
- **2022:** 6.9% growth (68% YoY growth)
- **2023:** 14.5% growth (110% YoY growth)

Fintech and digital lenders experienced the greatest year-over-year increase of fraud in 2022

- Smaller Banks/Credit Unions: 13.2%
- Larger Banks/Credit Unions: 15%
- Fintech/Digital Lenders: 16.5%

Fraud losses as a percent of annual revenue remain high

- Overall: 5.5%
- Smaller Banks/Credit Unions: 5.2%
- Larger Banks/Credit Unions: 4.4%
- Fintech/Digital Lenders: 7.0%

Remote channels continue to drive fraud losses

- Online and mobile channels account for:
  - 70% of loans originated
  - 72% of fraud losses

- In-person loan origination increased to 19% as lenders resumed in-bank operations, up from 13% in 2021
- 64% of lenders report changing their approach to remote channel fraud detection and mitigation

How can SMB lenders address fraud?

- 72% of lenders expect fraud levels to increase this year with an equal percentage planning to increase investments in fraud prevention via:
  - Increasing staffing on fraud teams
  - Special fraud prevention initiatives
  - Increasing spend on vendor solutions

A multi-layered solutions approach can work best

SMB lenders’ usage of digital identity and advanced transaction verification solutions remains limited. However, the findings of this study show that multi-layered solutions that integrate with fraud mitigation and digital channel operations can be more effective at detecting fraud early and can lower the cost of fraud impacts on revenue.

To learn more, download the 2023 Small Business Lending Fraud Study or call 800.658.5638.