Navigating the Landscape of Applicant Fraud: Strategies and Technologies for Effective Detection and Prevention

Executive Summary

In the realm of apartment rentals, application fraud poses a significant risk to property managers and landlords. Among the various types of fraud encountered, document fraud stands out as one of the most prevalent. Document fraud involves the creation, alteration, or misuse of documents with the intent to deceive. Common forms of document fraud include the misuse of genuine documents by impostors, the creation of counterfeit documents, editing elements of real documents, and the emergence of synthetic identities purchased from the dark web or even on social media platforms.

The National Multifamily Housing Council's (NMHC) Pulse Survey on Fraud has recently reported on this concerning trend, with a staggering 93.3% of respondents reporting experiences with fraud within the past twelve months. This indicates a pervasive issue that demands urgent attention. Addressing fraudulent applicants necessitates a comprehensive approach that prioritizes technology capable of tackling fraud across all levels. Given the ever-evolving nature of fraud techniques, static solutions are insufficient. Instead, a dynamic approach is required to effectively combat fraud.

Property managers now find that robust fraud detection and income verification strategies are an operational imperative. These strategies not only safeguard against financial losses but also protect the integrity of rental processes and ensure the safety of communities. This white paper explores the types of document fraud prevalent in apartment rental applications, underscores the necessity of fraud detection and income verification measures, and outlines key considerations for selecting an appropriate solution.

NMHC Pulse Survey Results

93.3%
of respondents reporting experiences with fraud within the past twelve months.

23.8%
of their eviction filings were linked to fraudulent applications and related failure to pay rent over the past three years.

24.5%
of this bad debt, on average, could be attributed to nonpayment of rent due to fraudulent applications.

Find the NMHC Pulse Full Survey Results on www.nmhc.org

Fraud Techniques

The rental application process serves as a crucial gateway for landlords and property managers to assess the suitability of prospective tenants. However, this process is susceptible to manipulation and deceit, particularly through document fraud. Document fraud encompasses various deceptive practices, including the falsification or misuse of documents to misrepresent identity, financial status, or rental history.

Fraud Evolution in Apartment Applications

The amount of fake IDs detected have been significantly reduced over the past several years. Rarely does a fake ID alone present in fraud cases detected. Document fraud is the most common form of fraud detected and communities only utilizing ID verification are only catching roughly 1% of the fraud happening during their application process. By comparison, more comprehensive document and income verification technologies prevent 10-20 times more fraud

Common Tools Fraudsters Use To Produce Forged Documents

Social Media
Facebook, TikTok, X, and Instagram are full of individuals promoting Apartment Approval packages that include pay statements and other fabricated documents.

PDF Editor Software
Easily download a real document and edit the details.

Pay Statement Template Websites
Create your own pay statements from various templates.

Types of Document Fraud Committed in Apartment Rental Applications*

Synthetic Fraud
1%

Fraud in which criminals combine pieces of real personal data with fake information to create an entirely new identity, one that's almost impossible to trace. This often includes fake ID, fake documents, and a credit report that shows either no tradeline credit history or newly established trade line history via CPN (consumer privacy numbers), which look like SSNs but are usually fabricated as means for applicants with poor credit to evade detection by using a CPN in place of their SSN).

Misuse of Genuine Payroll Service
4%

In this form of fraud imposters utilize a genuine payroll provider to procure real pay statements for income they do not actually receive. This is most often used by people claiming to be independent contractors or people that have no form of income. This kind of fraud evades the platforms that use less sophisticated forms of fraud detection.

Misuse of Another Person's Documents
2%

In the application process, this type of fraud involves a real person uploading another person's real pay documents to satisfy income requirements. Fraud detection companies that cannot read document contents have no way to detect this type of fraud.

Counterfit Documents
40%

Counterfeit documents are fabricated replicas of genuine documents, designed to deceive landlords and property managers. These fraudulent documents may include forged identification cards, pay stubs, or bank statements, crafted to appear authentic.

Edited Documents
50%

This entails the alteration of authentic documents to serve fraudulent purposes. This may involve tampering with personal information, specific details, or official seals to misrepresent the applicant's credentials or financial standing.

Note, more than one fraud type for a given applicant may apply.

*Docuverus Results June 2023- February 2024

Fraud Detection Platforms

Implementing robust fraud detection and income verification strategies is paramount for mitigating the risks associated with document fraud in apartment rental applications. Failure to detect fraudulent activities can result in financial losses, legal liabilities, and reputational damage for property managers and owners. Moreover, effective fraud detection measures safeguard the interests of genuine tenants and foster trust within the rental community.

Key Considerations for Selecting A Fraud Detection Solution

Contextualization & Document Reading Technology

A robust fraud detection solution should offer comprehensive document verification, contextualization, and reading capabilities, enabling the true verification and authentication of pay statements and financial statements. If a solution does not read the document contents, has no way to match the applicant's name, determines if documents are current, consecutive, and sufficient, or auto-calculate income, then the solution is not saving site teams valuable time or providing a best-in-class solution.

Multidimensional Metadata Analysis

Metadata analysis is critically important as a means to detect fraud, but few solutions go past the basic (single-layer) metadata of a document. A single-layer analysis is akin to using an X-ray to detect an ailment, while a Multidimensional Metadata analysis is like using an MRI, exposing a level of detail and clarity that would evade a simple X-ray scan. A single-layer metadata approach can and will detect fraud and it will even catch most fraud. But it will not catch all fraud. Simply put, that Multidimensional Metadata analysis is necessary to catch the most sophisticated forms of fraud – fraud that on the surface appear to be valid, but that can be caught by detecting irregularities several layers deep.

Human Review

Incorporating a human review element into the fraud detection process is essential for addressing the limitations of automated systems and detecting nuanced forms of fraud. While automated algorithms excel at analyzing data and patterns, human reviewers bring contextual understanding and critical thinking to the evaluation process. A dedicated team of experts can identify subtle indicators of fraud that may elude automated detection methods, thereby enhancing the overall effectiveness of fraud prevention efforts.

Awareness of Emerging Fraud Techniques

The landscape of application fraud is constantly evolving, with fraudsters devising new and sophisticated techniques to circumvent detection measures. One such emerging trend involves the use of independent contractor pay statements from major payroll companies. These statements, while seemingly legitimate and verified by automated systems, may be associated with entirely fictitious employment arrangements. Human reviewers play a crucial role in researching payroll providers, identifying potential loopholes, and staying abreast of emerging fraud tactics that software alone may overlook.

Conclusion

The prevalence of document fraud in apartment rental applications underscores the critical need for robust fraud detection and income verification strategies. By implementing advanced technologies, human review, and prioritizing solving the problem of fraud, management companies can effectively mitigate the risks associated with application fraud while safeguarding the integrity of rental processes. Investing in a comprehensive fraud detection solution not only protects against financial losses but also fosters trust, transparency, and accountability within the rental community.

About Docuverus

Docuverus is the only all-in-one fraud detection and income verification platform to verify and auto-calculate income, authenticate US government-issued IDs, and identify fraud. Docuverus detects fraud with a 99.98% accuracy rate, making it the most accurate platform available. Proprietary technology and document reading capabilities enable Docuverus to detect even the most sophisticated types of fraud and to deliver not just fraud detection, but a true income and ID verification platform.