

Fraud Patrol Spotlight: Ryan Hunter

TRANSCRIPT

January 21, 2022

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Panelist: Ryan Hunter, Director of Fraud and Verification Strategy, Deserve

Robby: Hi, everyone. I'm Robby Perry, Fraud Advisor here at SentiLink with another Fraud Patrol Spotlight. Today I'm here with Ryan Hunter. He's Director of Fraud and Verification Strategy at Deserve. Thanks for being with me today.

Ryan: Thanks, Robby. Yeah, super excited to be here and chat fraud and this is going to be a good conversation. Looking forward to it.

Robby: Yeah, absolutely. I never miss an opportunity to talk fraud. I'd love to start out with...tell us a little bit about yourself, and then your role at Deserve.

Ryan: Yeah, sure. I've been at Deserve for about four years. I started off as a Senior Fraud Analyst here, and I am now the Director of Fraud and Verification Strategy. So what that basically means is I run a small team for manual review. So there's about six or seven employees here that are doing manual review for different programs. And I also develop strategies and procedures and policies to prevent fraud and rule sets to route the bad guys to manual review and the good guys go straight through. So that's sort of what I do. Deserve, as a company, we are a credit card platform. So I deal with a lot of credit card related types of fraud. I'm mostly focused on the origination side of fraud as opposed to the transactional side of fraud. We do a lot of different programs and so I have a broad spectrum of credit. I have subprime cards, super prime, different industries, different verticals. So I see all the different types of fraud. Well, not all of them, but a lot of different types of fraud that one can experience.

Robby: I've got a background in credit card fraud as well. So, I know a lot of what you're experiencing from a fraud perspective. What did you do before Deserve?

Ryan: I was actually at a company called Upstart which did personal loans and they sort of have a similar style. They're doing lending-as-a-service as well and underwriting-as-a-service for different banks. I started at Upstart back in 2016 as a customer service rep. I sort of fell into fraud. The way it happened was I graduated college in 2015. And I went on a backpacking trip to Central and South America, and I was gone for a little over a year. After I got back, I didn't have two pennies to rub together. So I was like, okay, I need to find the first job that I can. I needed a real job. I was living at mom and dad's house. I needed a little bit of cash inflow. So I was like, let me just find any job that will take me and so I got hit up by a recruiter to go work on a contract at Upstart and I thought well, I'll work there for a few months, and then I'll find something that I would like to do. So I worked as a CSR and actually really liked it. The CSR

type role is a really difficult role getting yelled at by people and all that and talking to people for eight hours straight. I then moved to doing credit analyst work. So I was reviewing the loans, and I eventually got converted to a full time employee. When I worked at Upstart I was doing the loans, and I was finding a lot of fraud and they had just started this fraud team. And they're like, Hey, how would you like to be the third member of this fraud team? And I was like, Yeah, that sounds great. I'm down. No one really knew what was going on and we were just finding fraud and trying to figure out the best practices and the best vendors and our gaps and analyzing the stuff like that. It was great. I was working there as a third employee. Eventually we probably had about seven or eight by the time I left and so I was mostly doing loan fraud. So it's a little bit different. No physical product. So the type of fraud you saw was a little bit different. And that really started my fraud career - I just fell into it. It wasn't like my dream career, but I really, really enjoyed the fraud aspect of it. And it ended up being something that you feel sort of like a police officer, you sort of feel like a detective. I really liked that about fraud. It gives me a rush when you catch the bad guys.

Robby: I always love hearing people's stories about how they got into fraud, because everybody's got a different story. But nobody ever seems to go, yeah, when I was in high school, I said I wanted to get into fraud or even college for that matter. Right?

Ryan: Right, I didn't know this was a career.

Robby: We all have these great stories about how we kind of stumbled into fraud. I'm curious, where did you go to school and where'd you grow up? And what did you end up studying?

Ryan: So I did not major in fraud prevention. I grew up in the San Francisco Bay Area in Alameda, and I went to college in San Diego went to San Diego State University, and I graduated with a degree in finance in 2015. I also got a certificate in personal financial planning because I thought at the time probably wanted to be a certified financial planner. I wanted to be a CFP. I think that would be really fun to help people plan their futures. And I really enjoyed that aspect of my curriculum. And anyway, long story short, I graduated with a degree in finance. I ended up going on a backpacking trip for a little over a year. And then when I came back I just sort of stumbled into it. So I definitely didn't even know this was an option. But I'm glad I found it.

Robby: Like I said, I always love hearing people's stories about how they got into fighting fraud and fraud roles. So at Deserve, give us an idea of some of the types of fraud that you typically see.

Ryan: Yeah, sure. So Deserve has a bunch of different programs that we run. We have our own programs that Deserve has been running since the beginning of the company, and those are our international student, our international student card program, our domestic student card program, and you see a lot of different fraud with that. With the US Student Program, which is mostly what I focused on when I first joined Deserve, that was our only product. It was the domestic EDU and the International EDU and we had a few other ones but our main product was this EDU card. And the EDU card is like a thin and no file credit type product. So we do a

lot of different things with underwriting with cash flow from the bank, so this attracts a lot of synthetic fraud, because people are trying to start synthetic identities. I didn't even know what a synthetic identity was until probably 2018. I was like, why are these people going delinquent? Like what's going on? And you really do some deep deep dives and you realize, wow, they have multiple SSNs. They have crazy stuff going on. And that was 2017, 2018 when synthetic identity fraud was really getting big. At least that's the way I felt. And that was a major type of fraud we're experiencing because with the thin credit product, the fraudsters, it's really desirable for them to create this new profile with us. We also dealt with third party fraud, of course, but that was less common because of the amount of things that you had to do to get approved for the student card, the threshold is a lot higher than a prime product or something like that, because we do a lot of cash flow. We need your bank account, we need these things that are more difficult to create. It just adds a little speed bump. So it's not like we didn't have third party fraud in that product. But synthetic fraud was a lot of it. And that's actually how we found SentiLink back in 2019 or something like that.

We have other programs as well. Some of our more prime and super prime products attract a lot of bust out fraud or first party fraud schemes. We see a lot of credit washing, we see a lot of bust out fraud schemes with people getting the card with no intent on paying back and busting out of high dollar volume. So we see a lot of that on those types of programs. And of course, you always will see third party fraud that's never going away. But in those prime categories, synthetic fraud is less common, I would say, because the underwriting takes care of a lot of the fraud that you would see in a thin file. We have subprime products as well and I think we see a lot of different schemes in those programs. But it's really fun to deal across these different programs. I can see the different types of fraud all across our programs.

Robby: You're speaking my language there. A lot of work, strategy and investigation with bust outs and synthetic fraud in some of my previous roles. I know we've talked about that a little bit in the past. We'd love to know one or two crazy fraud situations that you've had in your career.

Ryan: So, I have a couple crazy ones. The most impressive one that I've seen, I would call it a really advanced synthetic fraud scheme. I will try and break it down. This might get confusing so please ask clarifying questions. Because it's kind of confusing to explain. So Person A, the fraudster, finds Person B, the victim, who has the same name as the fraudster. So Ryan Hunter, the fraudster with the same name as Ryan Hunter, a different individual. They have a different SSN and a different date of birth. They apply with the victim's SSN, but the fraudster's date of birth and address. They will likely fail CIP checks because they're saying we don't know what address this is, the DOB is wrong. So it fails and they get stiffed for docs. They send the docs in and you look at it and the docs line up perfectly with the person who's applying. So if you don't have a keen eye on what's going on with this, you would probably approve it. But thankfully, SentiLink fraud scores saved the day with these and what we had was it was flagging as a possible first party synthetic. You look at the credit report and the credit report had different address information, different DOB, different everything. So the fraudster was pulling the credit report of the victim who had good credit, but it was actually a different individual. I've only seen this happen a handful of times. I think it'd be pretty difficult to pull off, but I assume it's a very

successful scheme if they can get it together. But that was the most impressive one that I saw from a synthetic standpoint.

Robby: You can call that Same Name Fraud. It's one of those that takes a little bit more work, but can be very successful.

Ryan: In the end I was surprised. I think that was the first time I ever saw it. Or maybe it was the first time I ever noticed it. Maybe we had losses that I didn't notice but that was the first one I saw. I have a handful of those examples that all hit around the same time, which was pretty crazy. And then I have some other funny ones. Throughout time, the fake IDs that you get...sometimes they're really professional. And then other times they print it out on binder paper or they write it out on binder paper. And put it over with scotch tape. You know the name change on their passport or driver's license. Those are always fun to find. And then the other ones that are fun are if we have a fake driver's license created, in the photo is like a famous person. I've had Sean Hannity, Tom Cruise and Iron Man like Robert Downey Jr. The name matches the victim but the photo is of a celebrity. It seems like really, really low hanging fruit. It's just kind of lazy, you know?

Robby: Yeah. Like come on, fraudster, put a little bit more effort into it. If there wasn't some of this low hanging fruit, it would make the fraud job much more difficult. So, what's your proudest accomplishment so far?

Ryan: I'm really proud of whenever we find fraud rings that are exploiting some sort of vulnerability or something in our process or partners' process that we can point to and say, Hey, here's something that we need to fix. With our flow, with the way we're doing verification with our fraud threshold, something like that. And, I'm very proud when we catch it before we have losses, like in the application stage, versus if we catch it after the fact. But I really like that because it's sort of like, live pentesting. You know that we have someone that's really trying to defraud us and we're sort of plugging the holes in the ship as we go. But I'm really proud whenever we catch those. It's the most fun part of the job. When you kind of put it all together. You put all the pieces of the puzzle together. Here's exactly how they're doing it. Here's how we can fix it going forward. I really like that. There have been a few fraud rings that we've caught. Every Fraud Fighter has a story, but I've seen some good fraud rings.

Robby: That's one thing I've always loved about fraud as the fraudsters are always coming up with something different. As banks and lenders, we're always putting out new products and services.

Ryan: It's job security. Robby!

Robby: It is job security. It really is. But yeah, I love the cat and mouse game as well. Fraudsters are trying something new, and then you're shifting your strategies, and it's a lot of fun.

Ryan: If anything, they're keeping me employed. So it's sort of a symbiotic relationship.

Robby: So you've got a lot of experience in fraud, especially in the card space. So we'd love to know, just from your perspective, any predictions on how you might see fraud evolving over the next year or two.

Ryan: I have a lot of opinions on this, but it really depends on the vertical and in what part of the credit spectrum we are dealing with. In general, I think people are going to be moving away from synthetic fraud. And the reason I think this is because in the past there weren't great solutions. You know, back in 2015 to 2018, 2019 time period, where I had thought I had synthetic fraud scores, they just were not accurate. And then when we started using SentiLink, we had a much more accurate capture rate on synthetic fraud.

And eCBSV, I really think that's where the industry is moving in general, where people are going to be doing automatic verification, if not everyone, the high risk folks, which will really limit the amount of success that synthetic fraudsters are having. So I think people are going to be moving away from synthetic fraud, but of course, they're not going away forever.

Third party fraud will always be there. But the main one I think they're gonna be moving to is more first party fraud schemes, which is the bust out fraud I see growing. Trade line disputes so real people applying claiming it's fraud. I see that gaining in popularity as well as credit washing where they're applying for a bunch of cards, deleting all their inquiries, deleting tradelines that were bad from the past and stuff like that, just sort of using the system to their advantage. And I see that as sort of a challenge because, you know, regulators want to make it easy for customers to dispute fraud as they should. But when it's really customer friendly it allows for fraudsters to exploit this and to kind of make it so it's a bit of an uphill battle for companies to combat it. It's always been a thing, but I think that's going to be way more popular. And I've already seen it.

But the other thing that I think is probably going to start happening more and more is that as companies, especially card issuers move towards instant issuance where you get your card immediately. This takes away one of the things that credit card companies have always had to their advantage, which is, hey, I have to ship you this card. So the address becomes this really big focal point of fraud detection, right? Like, hey, this is a brand new address. This is a you know, like a UPS store there's some there's some sketchy stuff going on. And there's definitely going to be, with instant issuance, the address becomes less important. I have some instant issuance products. And we do certain types of mitigation on the front end with different fraud rules with different vendors. But I think a lot of people think it's a lot easier to do instant issuance than it really is. There's going to be a massive fraud problem with instant issuance if people don't treat it correctly in the credit space. I've already seen certain companies like Venmo, when you get approved, you get like only \$500 of your line open and then when you receive the card then they open up the rest of your line. So obviously Venmo had some issues with this and decided to put some sort of guardrails in place. You don't have to have access to the address anymore. You just have to have access to the identity information. And, if we're being honest,

everyone has access to all the identity information already. So it becomes a new fraud issue that I'm encountering or that I think the industry is going to encounter.

Robby: I can't agree more. Like I said, with my background in cards, you hit it perfectly. You had the address. That was an important part because they had to be under the control of either the customer or the fraudster. And you also had like a five, seven, ten day period post account opening that you could do some additional fraud checks. You had a little bit of time before that card got in someone's hand and that instant issue kind of takes a lot of that away.

Ryan: It's one of the things that I was really worried about when we started doing instant issuance. What if someone finds a way to get by and then we have 40 cards approved and maxed out or 100 cards approved and maxed out overnight? Luckily we have guardrails in place to prevent things like that. And I think they've been very, very successful.

But you're right about how easy it's going to be for people to get the cards.

Robby: I would love to know more about you. What's something that you do for fun, outside of work? And I did hear that you previously were on the Price is Right?

Ryan: Yes, I have been on the Price Is Right. I was on back in 2012. I ended up winning a bunch of money, a car and a bunch of cool stuff. I liquidated all possessions from that experience and that's how I went traveling after college because I won big. I won the Showcase Showdown. It's on YouTube. After that I was able to travel for some time in Central and South America.

Robby: What was the game that you played?

Ryan: So I played a game called Double Prices. I wish it was like Plinko but it was the game, Double Prices. Plinko would have been a little bit better. But basically, there was an item and it was like Do you think it's this price or that price? It's a very simple game. It's like is it this or that? And then I spun \$1 on the wheel. So I got \$1,000 for that which is pretty cool. And the wheel is very heavy. Everyone always asks and the wheel is extremely heavy. You've got to give it a good yank. But that was a really fun experience.

I've been working Deserve for four years, but I actually took a six month sabbatical in 2019 to hike the Pacific Crest Trail. I hiked from Mexico to Canada on a footpath from the Mexican border to the border of Canada. That took me five months. And, luckily, I was able to return to Deserve in a slightly slightly different type of role, but they welcomed me back. So I was very thankful at the end of that journey that I was able to come back to Deserve and continue working. And then besides that, outside of work I like skiing in the winter and running. I've been getting into running more and more, it's such good exercise. I like it a lot, and hiking, obviously. I'm a big hiker and backpacker. I took five months to go do it, I must be big into it.

Robby: Awesome. Ryan, again, I appreciate your time and it's always great to chat with a fellow fraud fighter and learn more about you. I think folks will benefit from hearing your fraud story and some of the great insights that you had in fraud. So again, I really appreciate it. And wish you all the best.

Ryan: For sure, Robby. Thanks for your time. If anyone wants to chat more about fraud, I'm always happy to do so. It's become one of my passions. It wasn't part of my dream, but it's become one of my passions. So I'm always happy to chat fraud with anybody.

Robby: Sounds good. Thank you, Ryan!