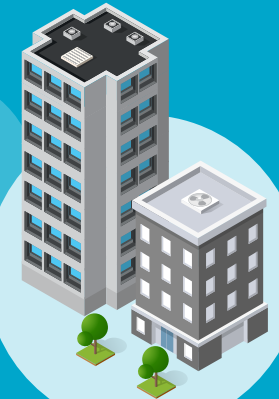


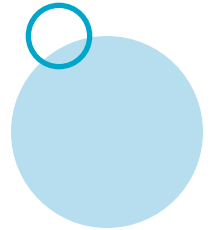
INVESTIGATIVE REPORT

Fraud in the Multifamily Industry



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Introduction

The COVID-19 pandemic has disrupted nearly every kind of business worldwide – and multifamily rental housing is no exception. To better understand the impact of the pandemic, TransUnion conducted a survey of 82 multifamily executives in September 2020 to explore how they are managing fraud in this changing environment. Forty-one percent, for example, discovered fraud after move in. Furthermore, to better understand the fraud problems, we also **analyzed fraud triggers using the TransUnion ResidentID® identity management solution.**

ResidentID

71,000

RENTAL APPLICATIONS PROTECTED

24%

POTENTIALLY FRAUDULENT APPLICATIONS STOPPED

51,000

RENTAL APPLICATIONS ID VERIFIED

\$86 Million

POSSIBLE EVICTION-RELATED SAVINGS PROVIDED



Why the focus on fraud?

The survey, along with the fraud analysis, highlights the dangers the industry faces during the pandemic. And the fact is, identifying potentially fraudulent applicants before they move in is crucial for resident safety and business profitability.

New, more sophisticated types of fraud

Many current identification methods and legacy systems, however, cannot effectively thwart today's sophisticated fraudsters, and the dominance of online applications has opened the door for new methods of fraud. These trends predate COVID-19 but have also been exacerbated by it; the pandemic has created widespread economic hardship and driven desire for more virtual application experiences.



OF RESPONDENTS ARE CONCERNED ABOUT FUTURE FRAUD GROWTH

“For the past several years fraud has been an increasingly concerning issue in multifamily, and the shift to virtual leasing during the COVID-19 pandemic has pushed this concern even farther to the forefront. It is imperative, therefore, that management companies take the necessary precautions to protect their business.”

Maitri Johnson, Vice President
Tenant and Employment at TransUnion

The rising tide of fraud during COVID-19

Our fraud analysis based on TransUnion ResidentID data shows that the number of fraud triggers – that is, applicant statuses with failed authentication and/or identified as high risk – has risen steadily over the course of the pandemic, **from 11.8% of applicants in March 2020 to 15.2% in August 2020.**

Impact on risks and evictions

22% 

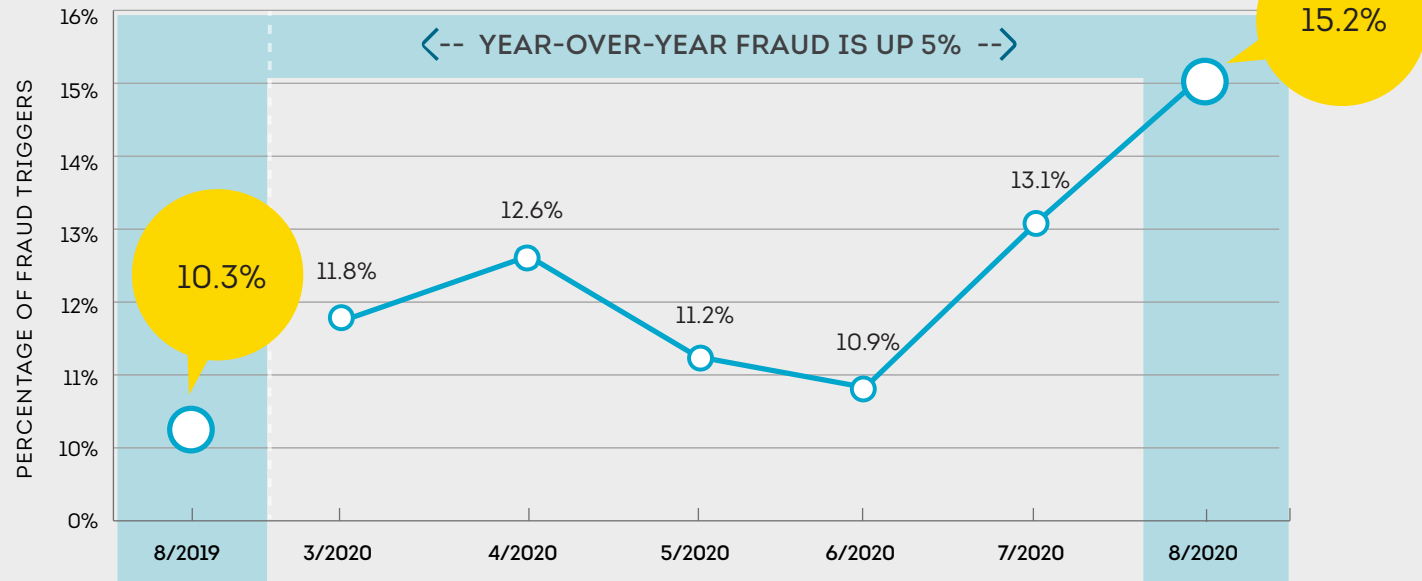
of applicants failed authentication or were identified as high risk from March to August 2020.

15% 

Fraud reached a high in August 2020, compared to 10.3% over the same period last year.

Fraud triggers

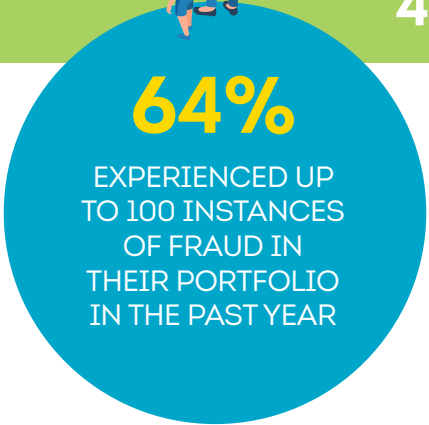
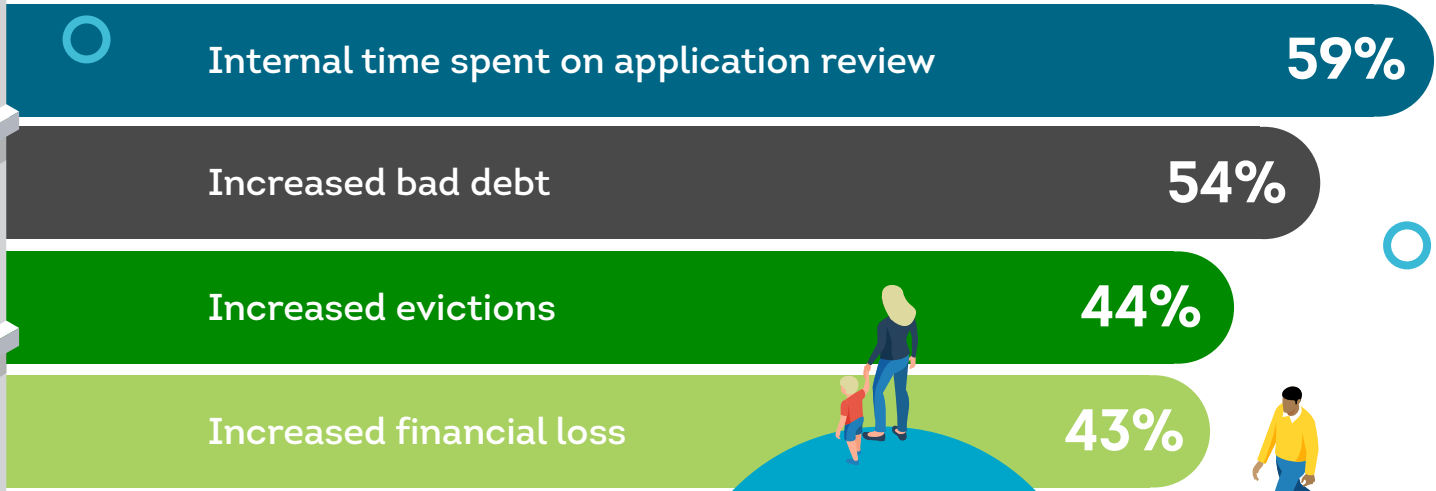
2019-2020



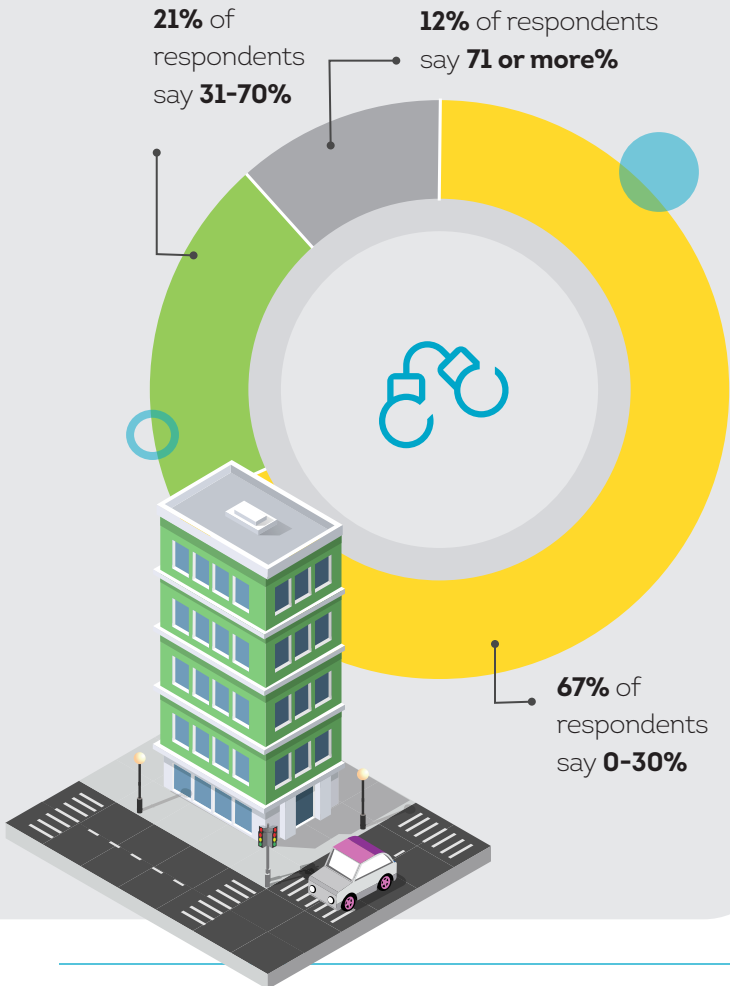


Industry executives see trouble

The surveyed executives express concern about the high cost and far-reaching impact of fraud. When asked “What impact has fraud had on your organization?” respondents reported the following issues:

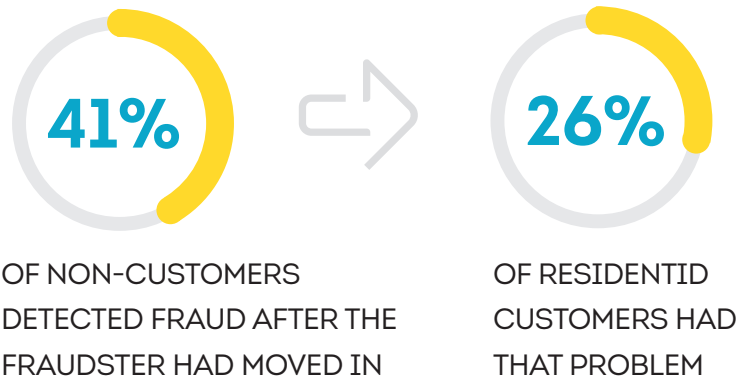


What percentage of bad renter outcomes (i.e., skips or evictions) do you believe is tied to some sort of fraud?



Respondents: ResidentID mitigates fraud

Compared to the industry as a whole, we discovered that ResidentID customers found it easier to detect fraudulent applicants before they became fraudulent residents. Whereas **41% of non-customers experienced fraud that they were able to detect only after the fraudster had moved into their apartment**, only **26%** of ResidentID customers had that problem. Perhaps that's why only **37%** of ResidentID customers in our survey experienced fraud more than 10 times in the properties they managed, compared to **55%** of non-customers.



Property managers are more concerned about fraud



Have implemented an identity verification or fraud solution since the pandemic



Experienced up to 100 instances of fraud in their portfolio in the past year



Did not identify the fraud until after the applicant moved in

COVID-19's big challenges

Executives also report big changes in how they approach their relationship with applicants during the pandemic – and that affects how they're thinking about fraud challenges.

Choppy economic waters raise concerns

In the face of mass unemployment and the expiration of many of the stimulus provisions of the CARES Act, multifamily executives are increasingly concerned about some potential residents' attempts to sidestep (through fraudulent conduct) rental obligations. A full **67%** of those surveyed said they were more concerned about fraud than they were before the pandemic.

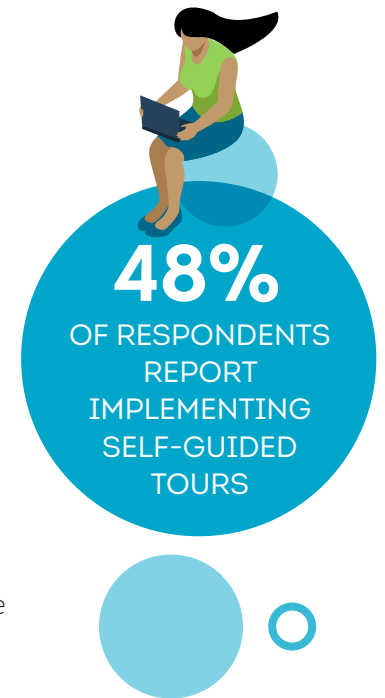
Fraud incidents on the rise

Evidence has borne out those fears: **48%** of those surveyed said they'd encountered fraud incidents more frequently since the pandemic began.

But ResidentID offers a distinct advantage here. Only **36%** of ResidentID customers saw an increased frequency of fraud incidents, as opposed to **54%** of noncustomers.

Apartment tours go virtual

Since March 2020 when the pandemic shut down much of society, **48%** of respondents report implementing self-guided tours. In-person tours are often one of the only opportunities for managers to assess potential residents face to face, and the shift to self-guided and virtual interaction makes effective automated fraud detection all the more important.





Case study: Fraud detection pays off

TransUnion analyzed a national multifamily operator's ability to identify and thwart potential fraud using ResidentID. The results were a **staggering \$1.1 million** in savings from fraud-related evictions costs.

TransUnion studied nearly 40,000 units in the portfolio to validate the identity of applicants before they moved in. **Over the 12-month period, more than 16% (1,189) of the applications processed triggered a red flag for potential fraud:**



10% were unable to correctly answer personal identification information (PII) questions or a one-time passcode request



6% were flagged as unable to be verified given the information the applicant provided



Early fraud detection prompted 220 of the 1,189 flagged applicants to abandon the process on their own once they were notified that additional identity verification was needed.

This analysis covered a period of ordinary economic conditions. As the pandemic and its associated economic turmoil continue, the fraud detection capabilities of ResidentID will likely become more valuable.

Take action to fight fraud

TransUnion ResidentID, designed specifically for multifamily operators, leverages years of best practices from the financial services industry. It enables you to verify identities and detect potentially fraudulent applicants without impacting the speedy approval of high-quality, real renters. Find out more about how in-depth data helps mitigate risk at transunion.com/product/residentid.



About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing a comprehensive picture of each person so they can be reliably and safely represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things.

We call this Information for Good®.

A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

transunion.com/industry/property-management

*Please note this report is based largely on a survey, and TransUnion's own review and interpretation of data. Not all users of TransUnion products will experience the same results. This report is not and should not be construed as legal advice – consult your legal counsel with regard to applicable laws and your operations.