



EXPERIAN AUTOMOTIVE

Experian Automotive Lender Fraud Study

August 2025

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OBJECTIVES

This in-depth research aims to elevate the **industry's understanding** of the **current and emerging fraud landscape** within the **automotive financing sector**. As **fraud schemes** become **increasingly sophisticated**, it is critical to assess their scope, impact, and the evolving risk environment faced by automotive lenders and service providers.

More specifically, the goals of the research are to achieve the following:

- **Understand** and **quantify** the types and rate of attempted or committed **auto fraud** and its **impact on businesses**
- **Uncover** insights surrounding the **potential openness** to various approaches to Fraud mitigation



METHODOLOGY

- Online survey with **n=204 Auto-Lenders**
- Conducted by HarrisX from **May 9th** to **May 21st**, 2025.
- **10-minute survey**, fielded in English
- **To qualify:**
 - Must be in a **Manager+ level** at current role, within the **operations** or **finance/lending/underwriting** specialty or department
 - Must **personally** provide, manage, or support automotive lending or financing services
 - Must have **primary or shared** decision-making responsibility or the ability to **influence** decisions within current role
 - **Significant portion** (above 5%) of responsibilities at current role **focuses on automotive financing**

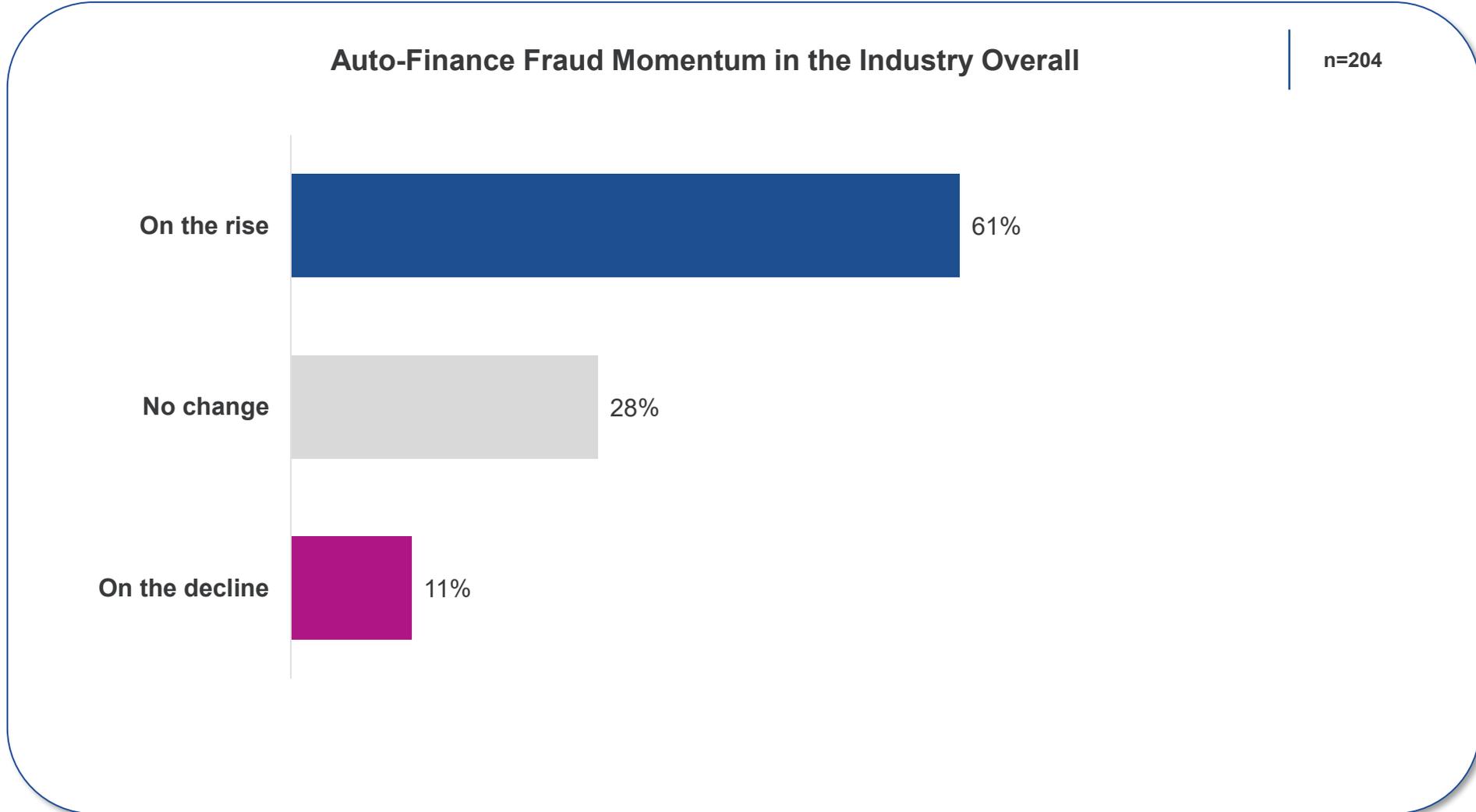
EXECUITIVE SUMMARY

EXECUTIVE SUMMARY

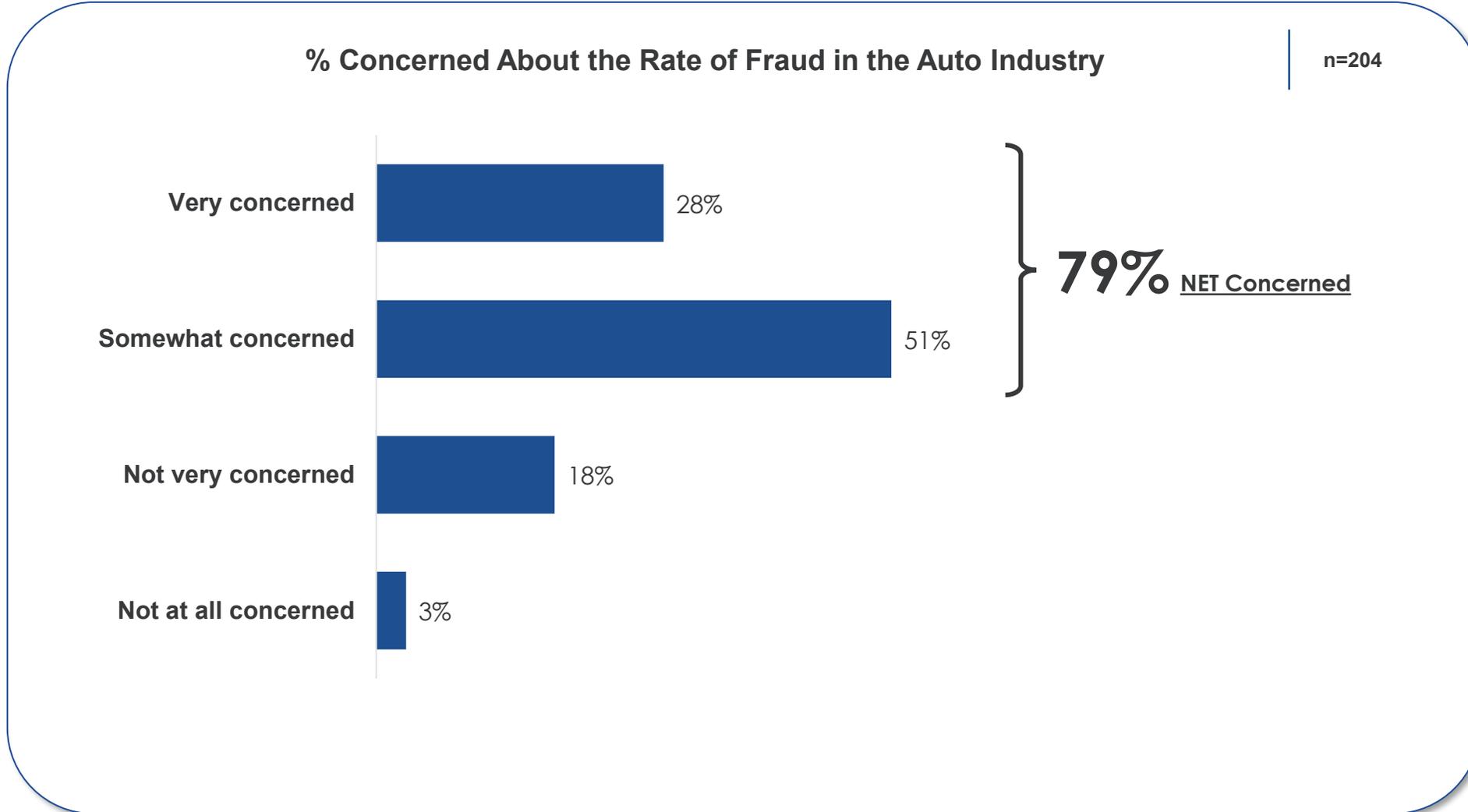
- 1. Fraud is escalating and deeply embedded in the lending lifecycle**
- 2. Identity & income misrepresentation are core threats**
- 3. Collateral and channel risks are under-protected**
- 4. The balance has shifted: growth now depends on protection**
- 5. The desire for data collaboration is rising**

OPINIONS ABOUT AUTO FINANCE INDUSTRY FRAUD

A clear majority of auto lenders (61%) believe auto-finance fraud is ‘on the rise’. Only 28% say there’s been no change, and just 11% perceive a decline. **This signals growing concern across the industry.**



79% of auto lenders express concern about fraud, with **28% 'very concerned'**. This confirms that **fraud remains a top-of-mind issue** within the auto lending community.



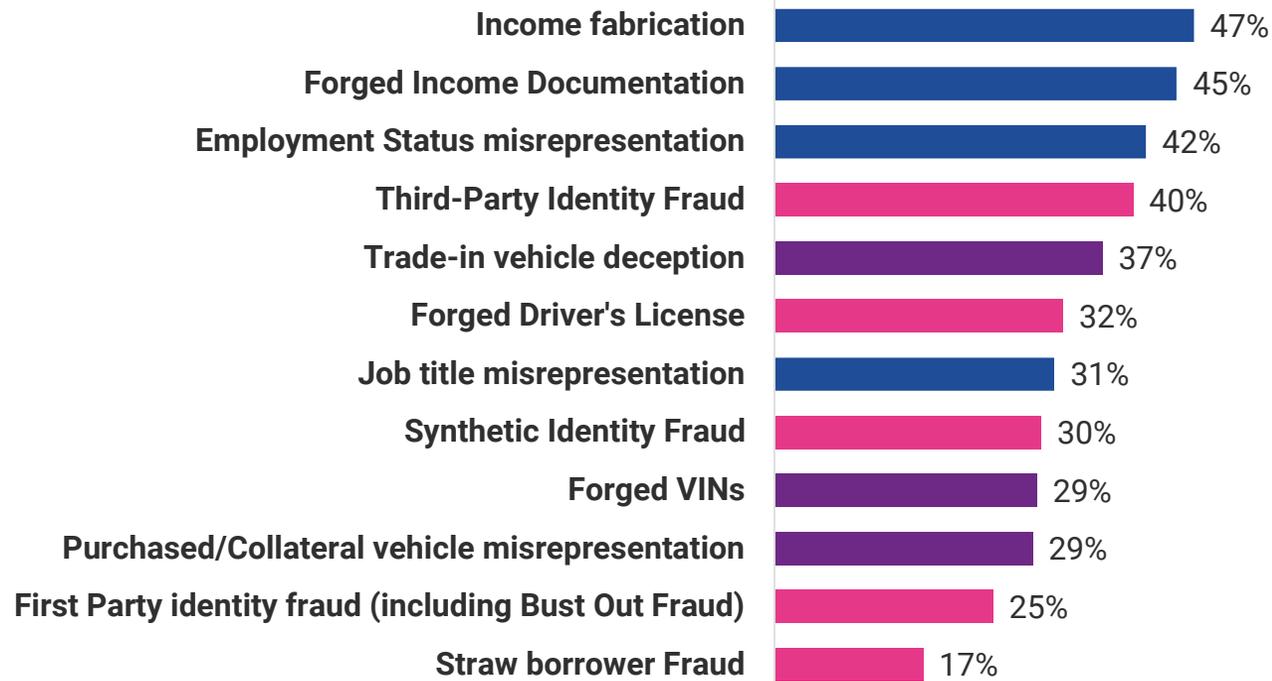
Fraud comes in many forms

Income-related fraud 	Vehicle-related fraud 	Identity-related fraud 
Employment Status Misrepresentation	Forged Vehicle Identification Numbers (VINs)	First-Party Identity Fraud (including Bust-out fraud)
Forged Bank Statements	Purchased/Collateral Vehicle Misrepresentation	Forged Driver's License
Forged Income Documents (e.g., Pay Stubs, Tax Returns)	Trade-In Vehicle Deception	Straw Borrower Fraud
Income Fabrication		Synthetic Identity Fraud
Job Title Misrepresentation		Third-Party Identity Fraud

Industry-wide, the top fraud types cited as impacting the industry are ‘Income fabrication’, ‘Forged Income documents’, and ‘Employment status misrepresentation’. This underscores how **income-employment related deception dominates industry fraud concerns**.

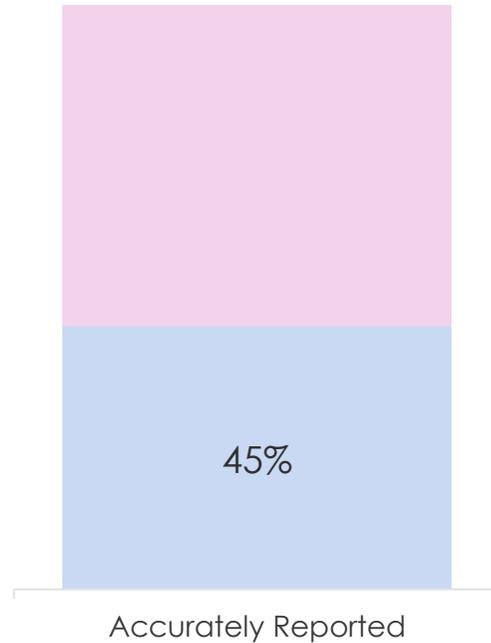
Main Types of Auto-Finance Fraud in the Industry

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Lenders estimate that under half of fraud-related defaults are accurately flagged internally (45%), suggesting a **lack of consistent fraud classification** and signaling that **many losses may go undetected or misattributed**.

**% of Accurately Reported Defaults
Due to Fraud
Within the Organization**

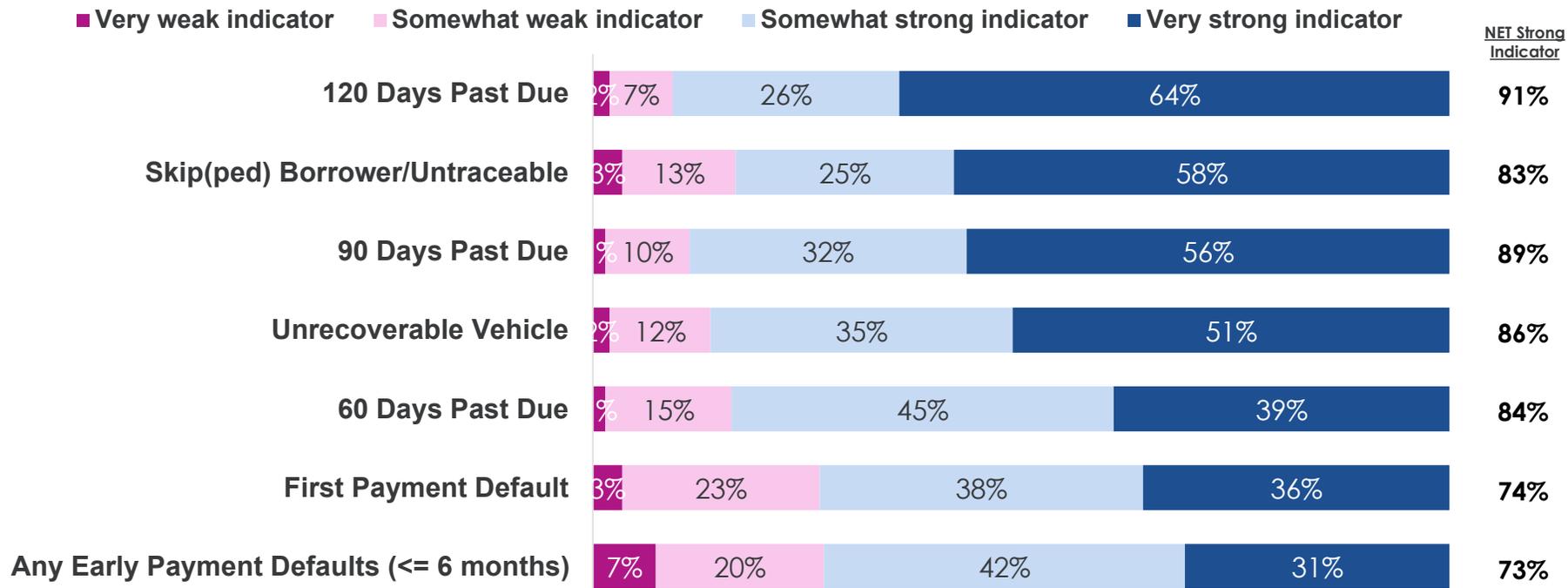


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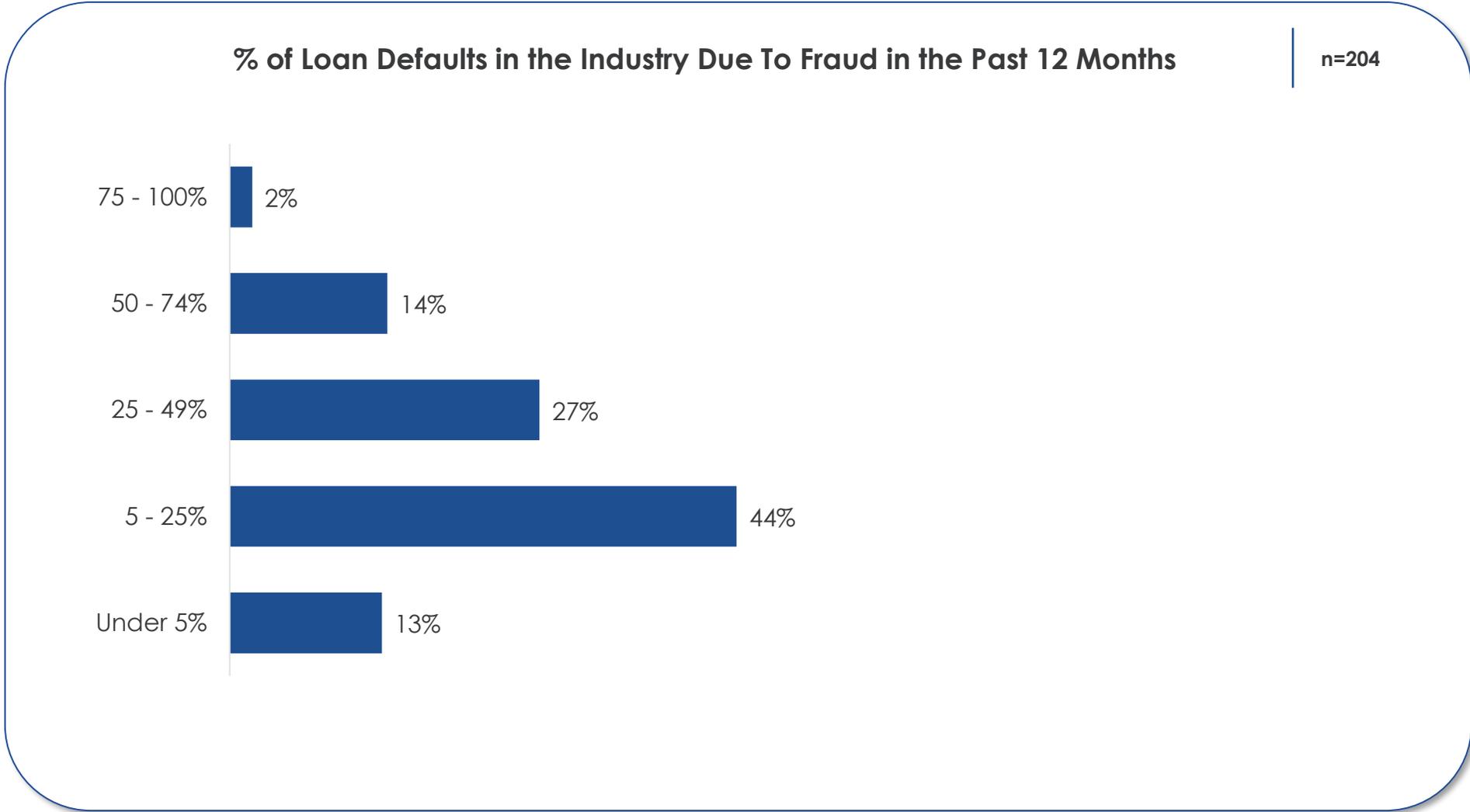
The leading indicator that there is potential fraud is when an account is 90 to 120 days past due or an untraceable borrower – **indicating that prolonged delinquency and collateral-related anomalies are key red flags.**

Strength of Fraud Indicators

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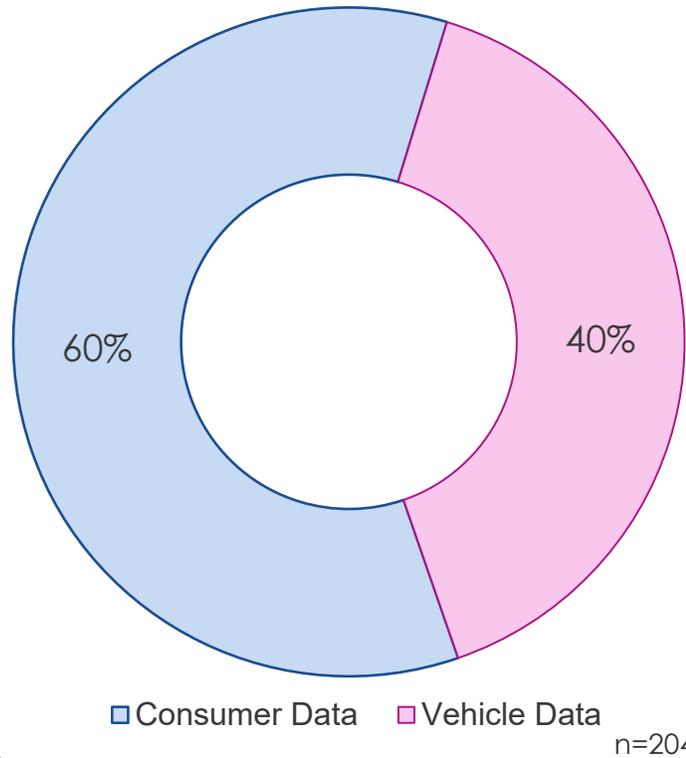


Most auto lenders estimate that fraud accounts for a moderate share of loan defaults in the auto industry. 44% say 5-24% of defaults are due to fraud and 27% say 25%-49%, while 13% estimate below 5%.



The gap in internal reporting aligns with broader **exposure to dealer-facilitated fraud**, where an estimated **60% of fraud is due to manipulation of consumer data**.

% of Dealer Facilitated Auto Finance Fraud Due to Manipulating Consumer vs. Vehicle Data



NOTE: The data shown represents the median for each datapoint

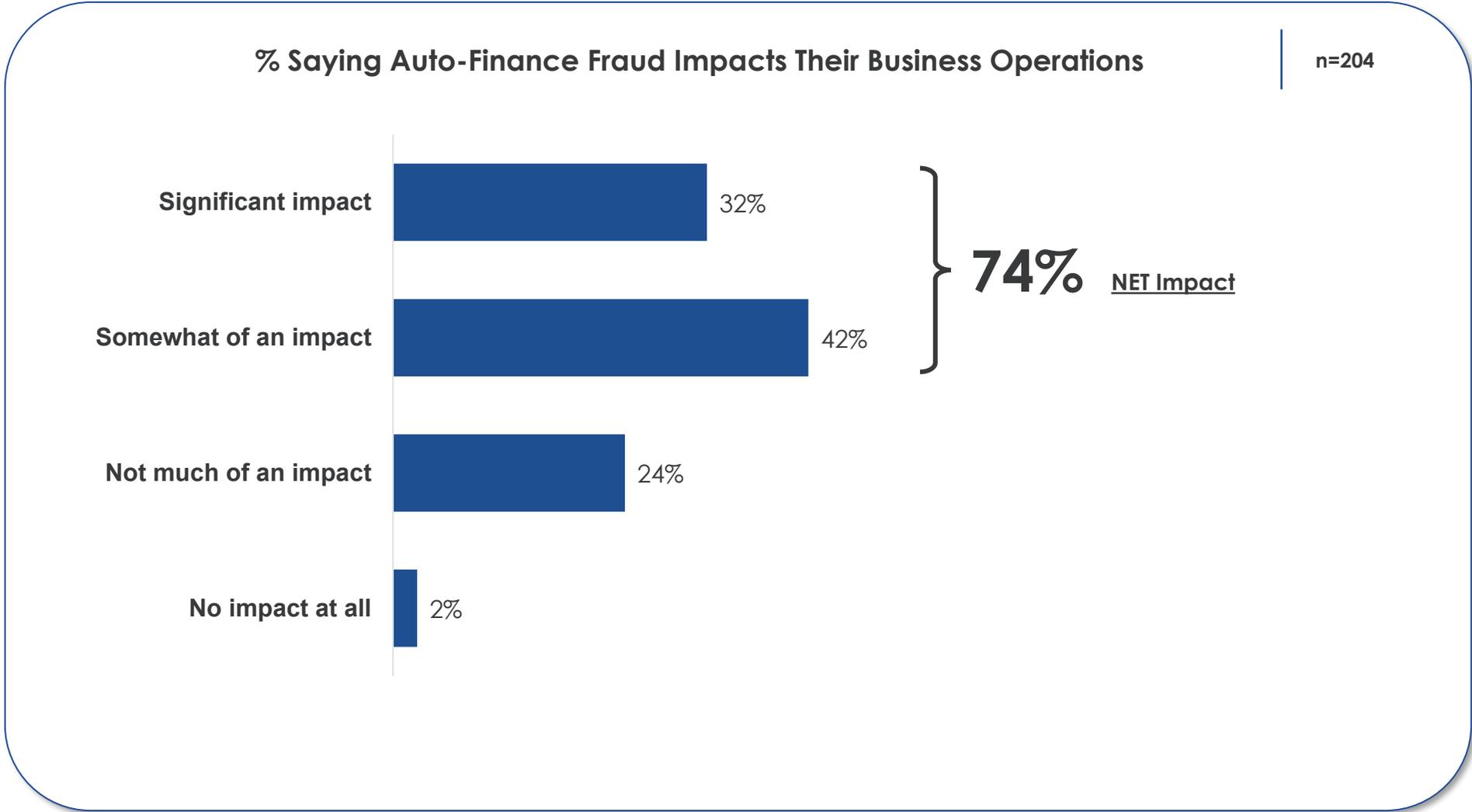
% of Indirect Fraudulent Loans in the Industry Charged back to Auto Dealers

And while fraud is being identified, **lenders estimate an average 30%** of indirect fraudulent loans are charged back to dealers – *indicating that enforcement mechanisms are weak, compounding institutional losses.*

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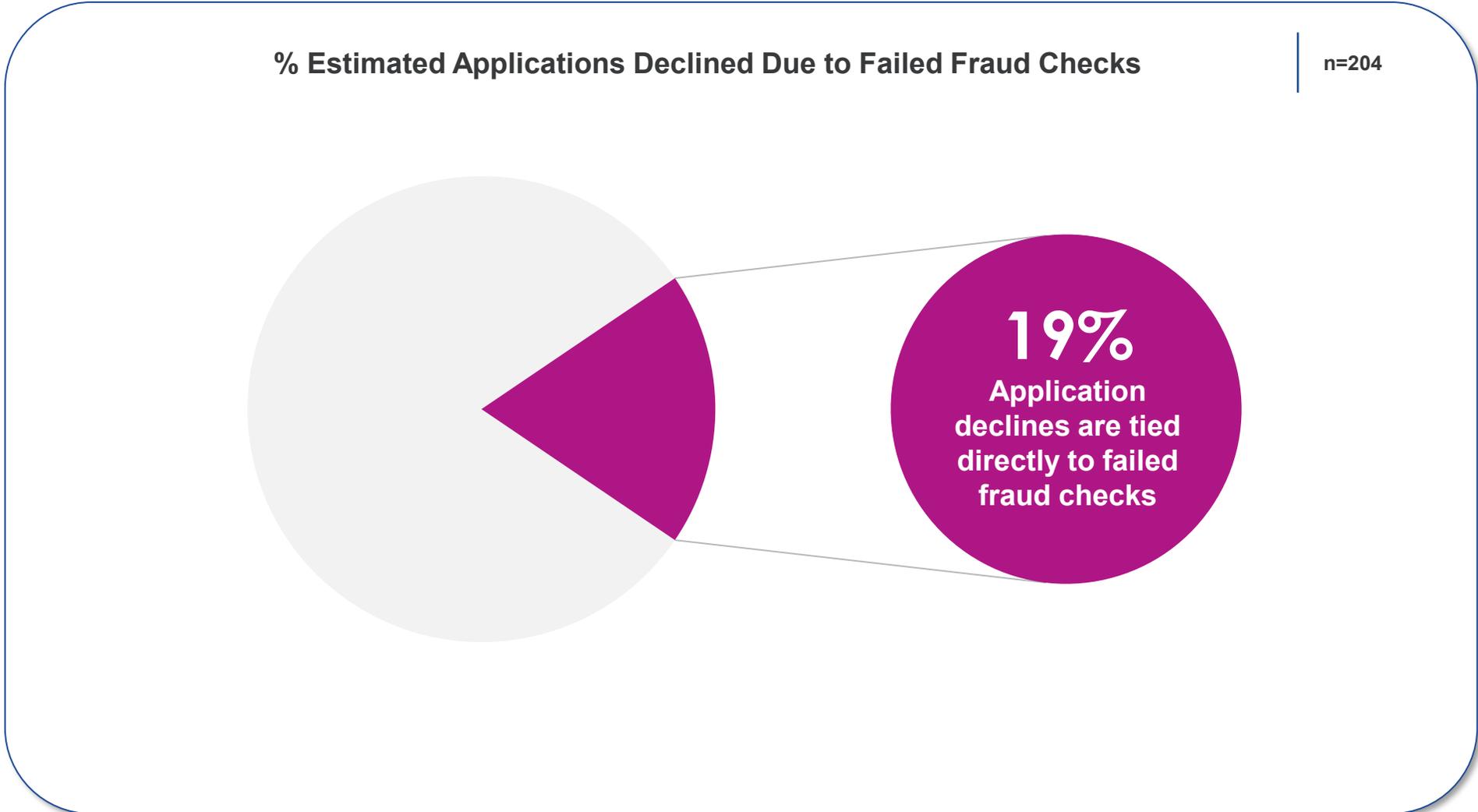
RESPONDENT ORGS' APPROACH TO AUTO FINANCE FRAUD

3 in 4 auto lenders say fraud has at least a 'somewhat' of an impact on their business operations, with one-third citing a 'significant impact'. Only 24% say the impact is minimal.



Among Total Sample QFRAUD3. How much of an impact, if at all, does auto-finance fraud have on your business operations?

The underlying cause of selectivity is clear; **lenders report** an estimated average of **1 in 5 application declines being tied directly to failed fraud checks**, underscoring the growing impact of fraud on lending decisions.

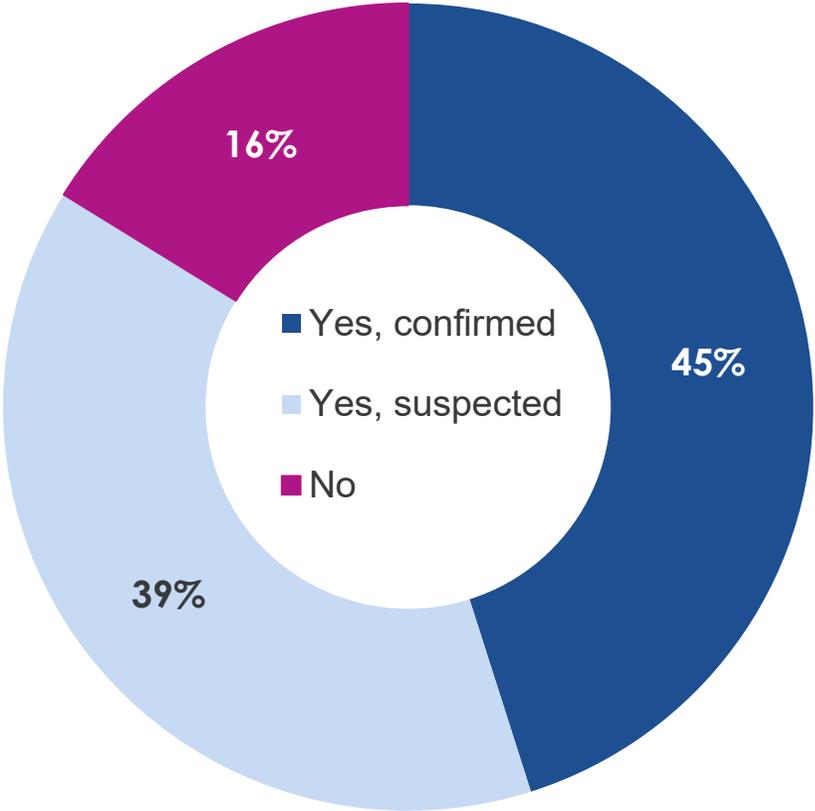


Among Total Sample QBIZ3. Of the auto finance applications received by your organization, approximately what percentage of your declines would you say are **due to failed fraud checks**? Please indicate with a percentage from 0-100 to the best of your knowledge.

In the past year, **45% of auto lenders report confirmed cases of fraud**, while another **39% suspect fraudulent activity – totaling 84% with fraud exposure in some form**. Only **16%** reported no fraud at all.

% Suspected or Confirmed Auto Loan Fraud in Their Org. in the Past 12 Months

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Among Total Sample QFRAUD11. Has your organization experienced any instances of **suspected or confirmed auto loan fraud** in the past 12 months?

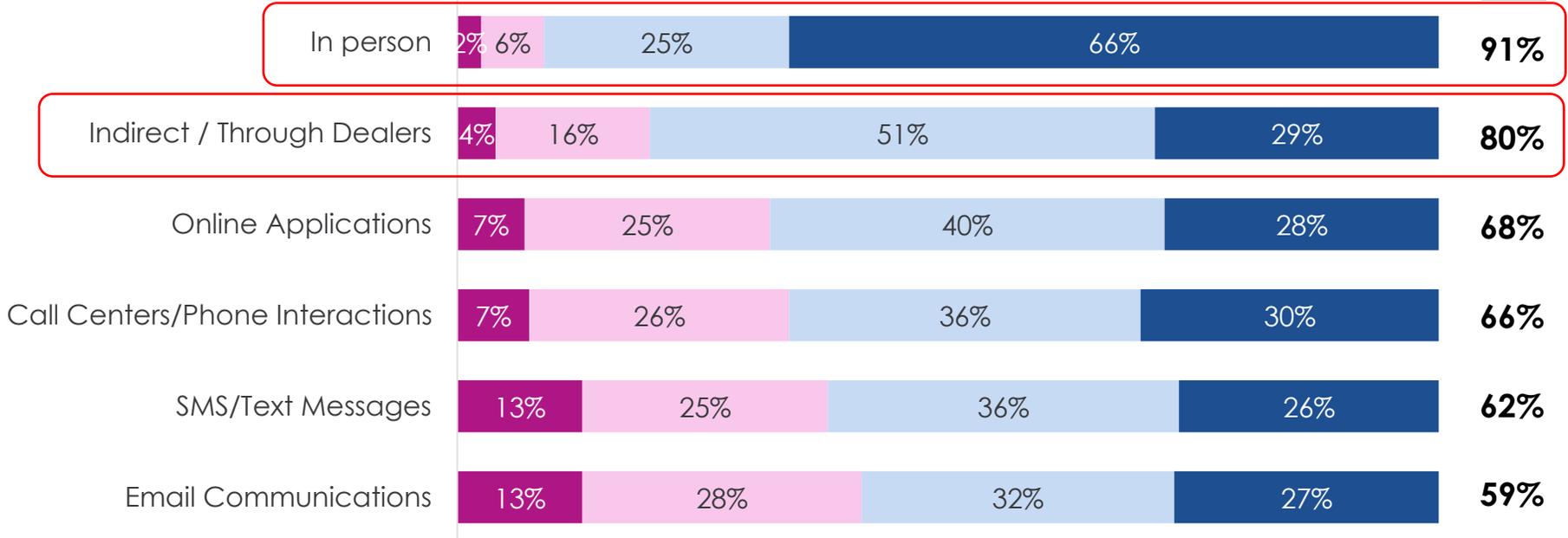
The 'in-person' channel dominates customer authentication methods, with 66% calling it 'very effective'. All other digital and indirect channels fall well below that mark, ranging between 25-30% very effective – **highlighting a confidence gap in digital or remote verification forms.**

Effectiveness of Methods Used by Organizations for Verifying/Authenticating Customer Identity

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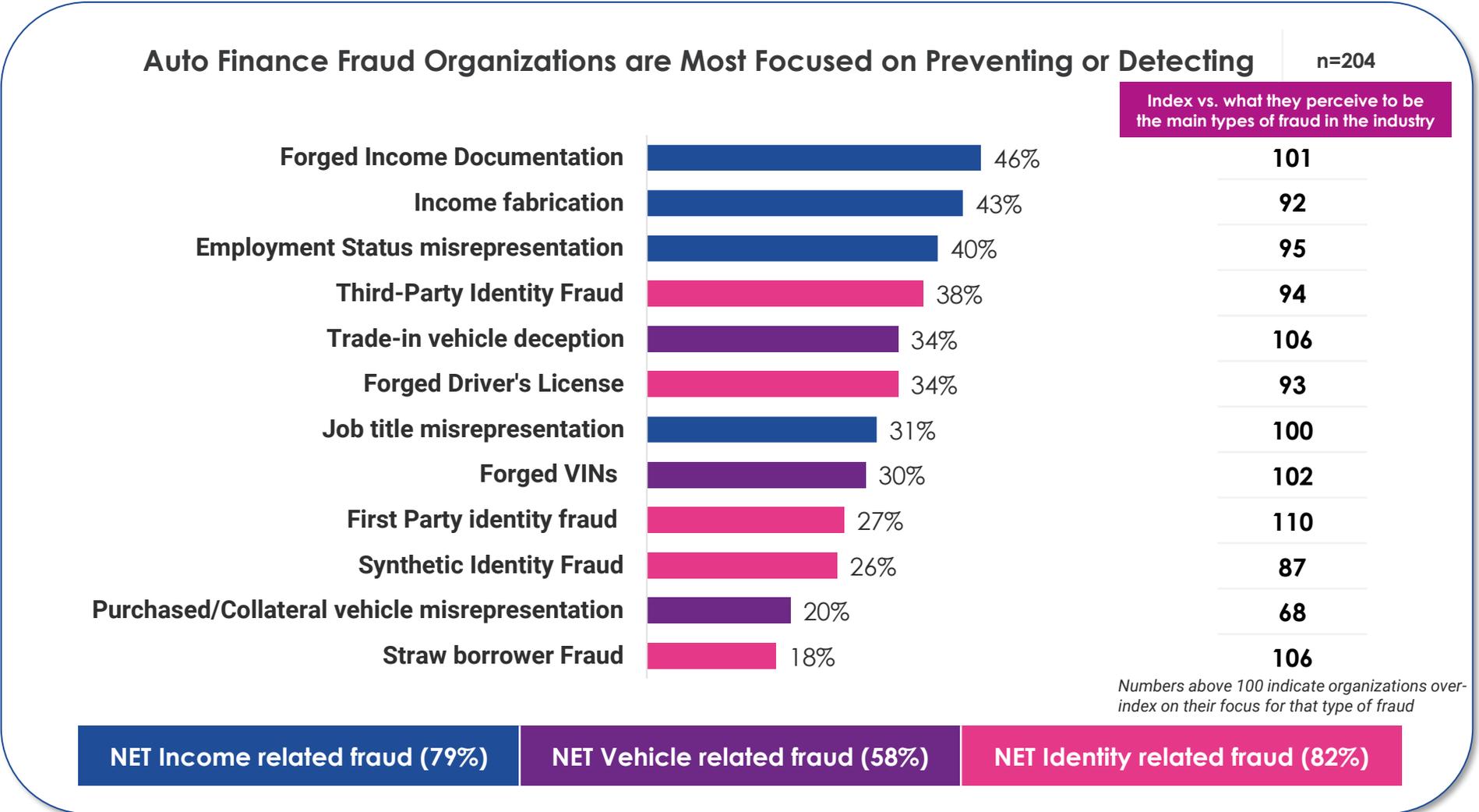
■ Not at all effective ■ Not very effective ■ Somewhat effective ■ Very effective

NET Effective



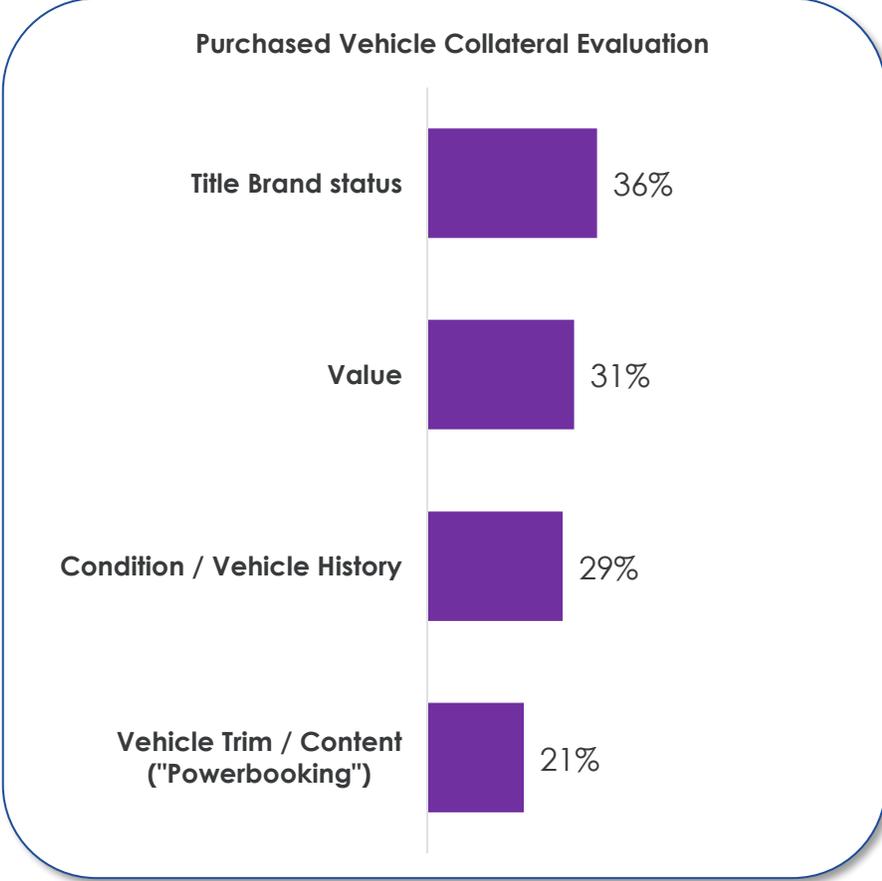
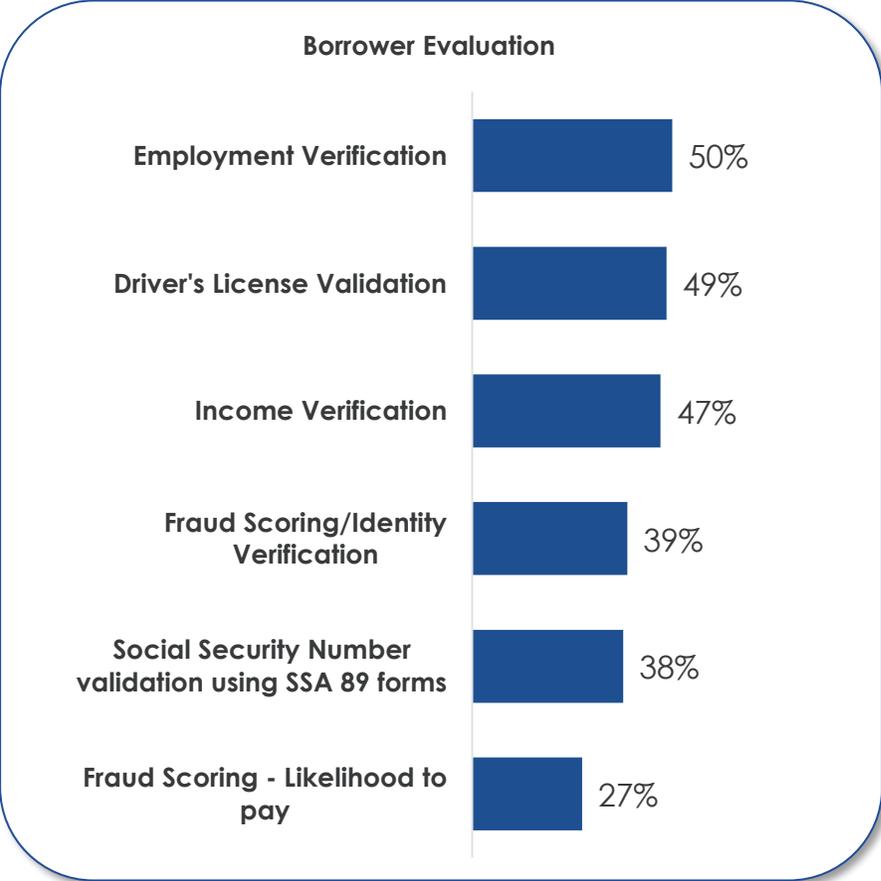


Focus remains on income-related fraud, but concern around income fabrication (43%) and employment misrepresentation (40%) falls below industry benchmarks. **Collateral misrepresentation (29%)** is also under-indexed, **highlighting a gap in vehicle-level fraud detection**. **Synthetic ID** fraud lags as well, signaling **weaker coverage of more complex identity threats**.



Borrower-focused controls dominate as auto lenders build their defenses where the threat is most recognized – fake income, falsified employment and ID misrepresentation – but appear somewhat underdeveloped on the asset (vehicle) side.

Auto Finance Fraud Prevention or Detection Methods Currently used by Organizations | n=204



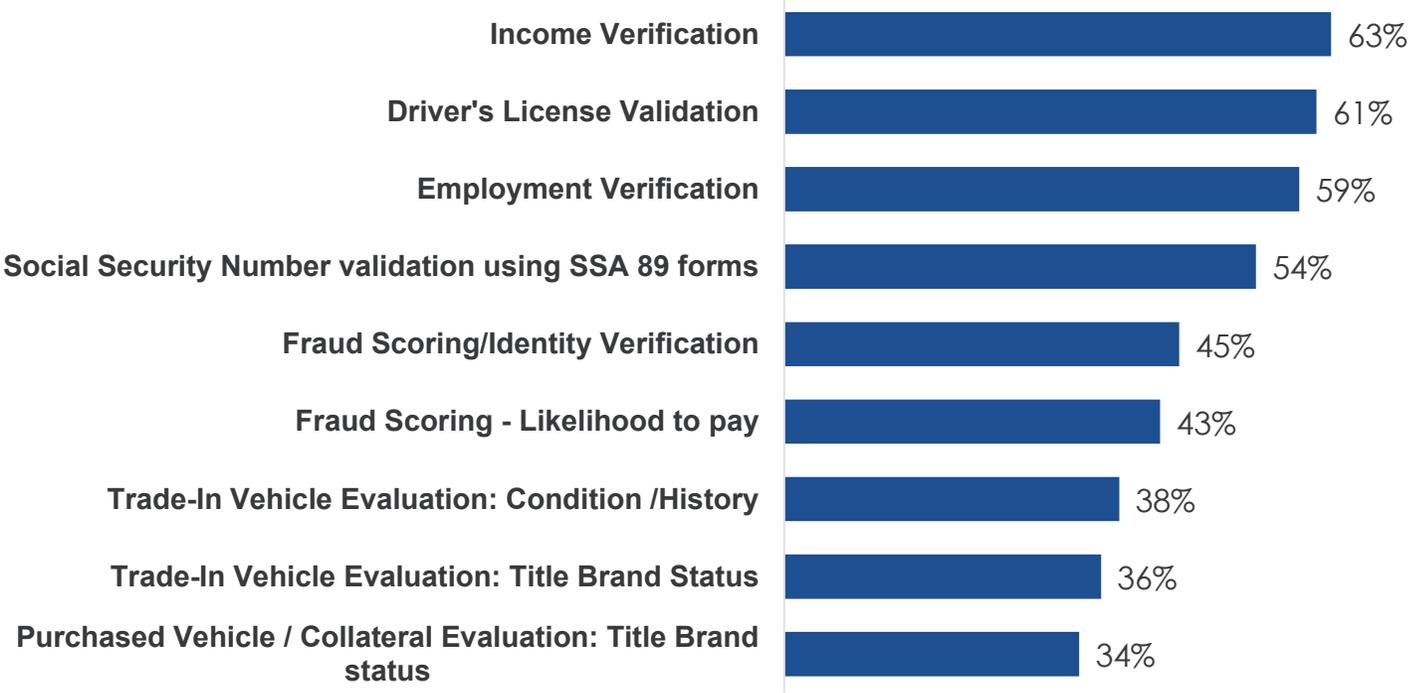
Among Total Sample QFRAUD16. Which of the following fraud prevention or detection methods are currently utilized by your organization?



Auto Lenders that use multiple fraud prevention methods focus heavily on borrower verification, led by **income (63%)**, **license (61%)**, and **employment checks (59%)**. But fewer use risk scoring (45%) or **vehicle-level checks (34–38%)** – highlighting a **gap** in balancing **identity validation** with deeper, **transaction-wide fraud detection**.

Top Auto Finance Fraud Prevention or Detection Methods Currently used by Organizations

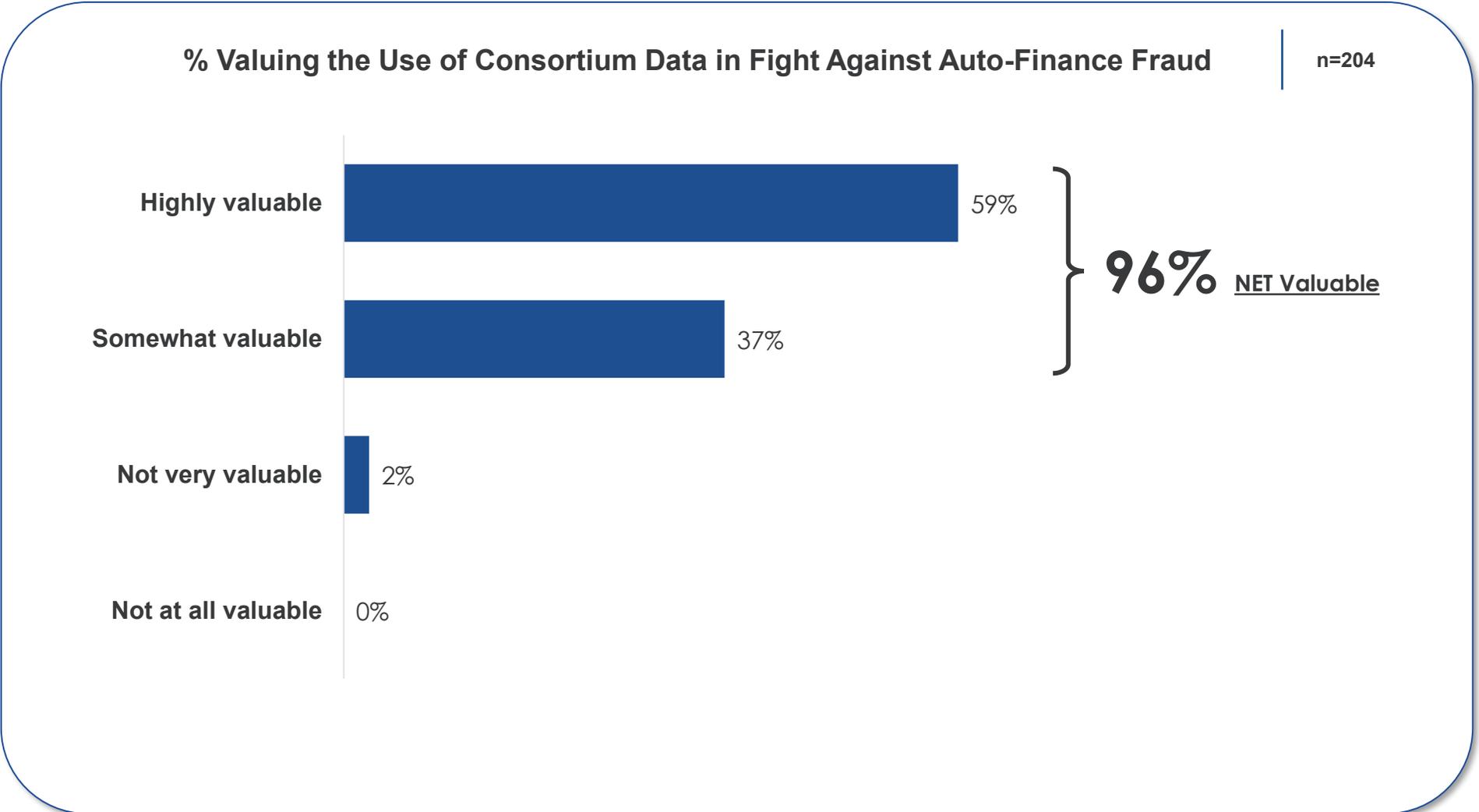
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Among those currently using 3+ fraud prevention or detection methods QFRAUD17. Which of those fraud prevention or detection methods would you say are the top ones being utilized (aside from Red Flags checking)? Please select the top 3.



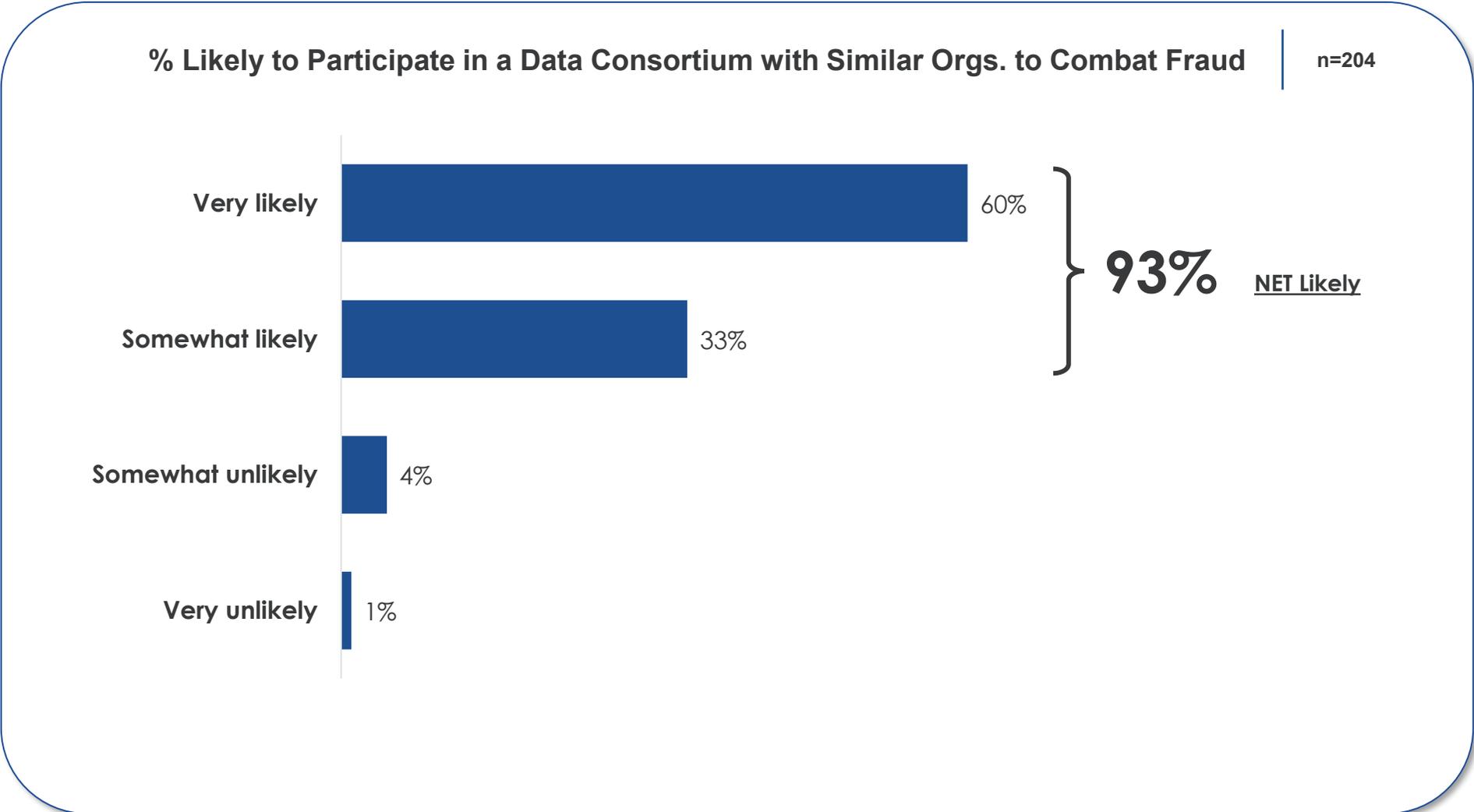
There is overwhelming support for the value of consortium data with 96% of lenders rating it as valuable and 59% specifically consider it 'highly valuable'. **This affirms that auto lenders increasingly recognize and value the power of shared intelligence in detecting fraud trends.**



Among Total Sample QFRAUD19. How valuable, if at all, do you feel **consortium data** is in the fight against auto-finance fraud?



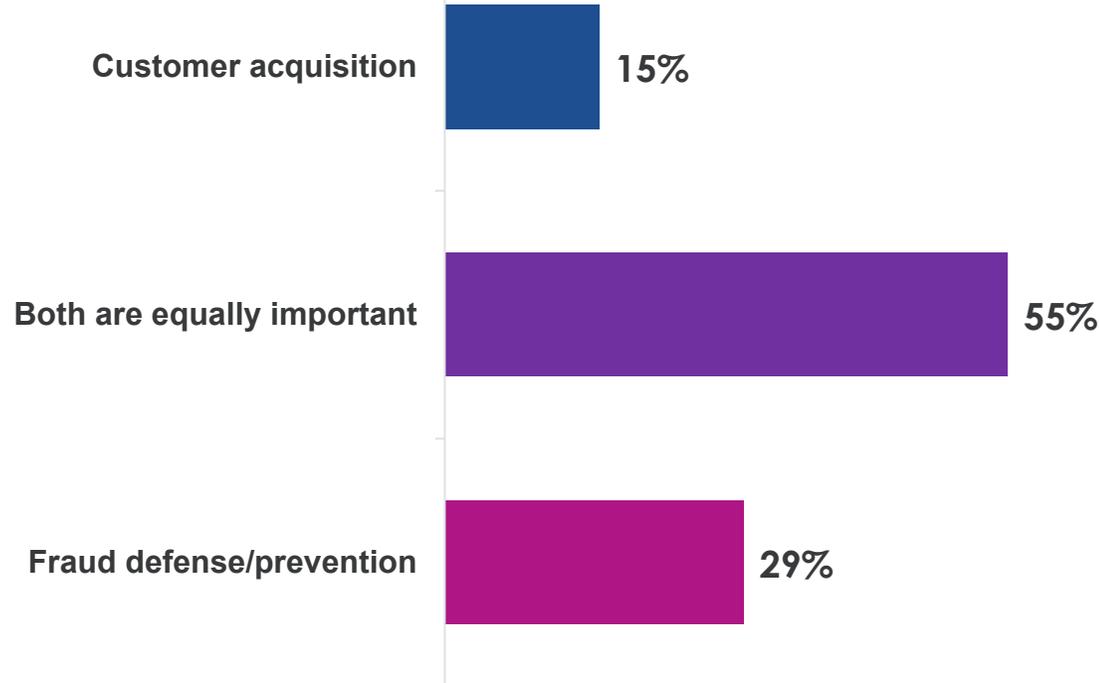
3 in 5 lenders say they are 'very' likely to participate in a data consortium, with another 33% 'somewhat likely'. Together, over 9 in 10 lenders are open to collaboration – **reinforcing a broad appetite for collective fraud mitigation strategies.**



Auto Lenders appear to favor a balance between fraud defense/prevention and customer acquisition with 55% saying both are equally as important. 29% prioritize fraud defense and only 15% lean toward acquisition alone – **signaling that growth without protection is no longer seen as sustainable.**

Greater Priority Between Customer Acquisition and Fraud Prevention or Detection | n=204

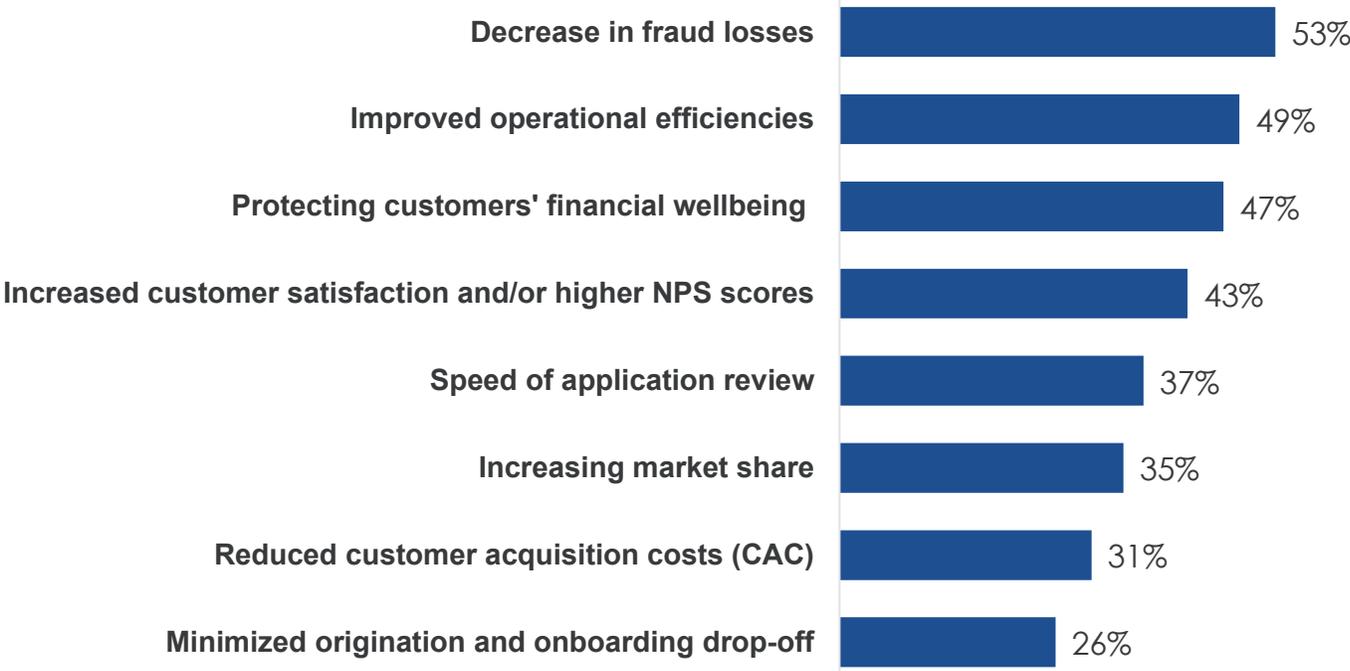
■ Fraud defense/prevention ■ Both are equally important ■ Customer acquisition



Lenders see **fraud technology as both a safeguard and a strategic asset**. Their top priorities – reducing fraud losses (53%), improving efficiency (49%), and protecting customer wellbeing (47%) and satisfaction (43%) – reflect a **balanced focus on risk control and customer experience**.

Most Important Outcomes when Investing in Technology to Address New Account Fraud

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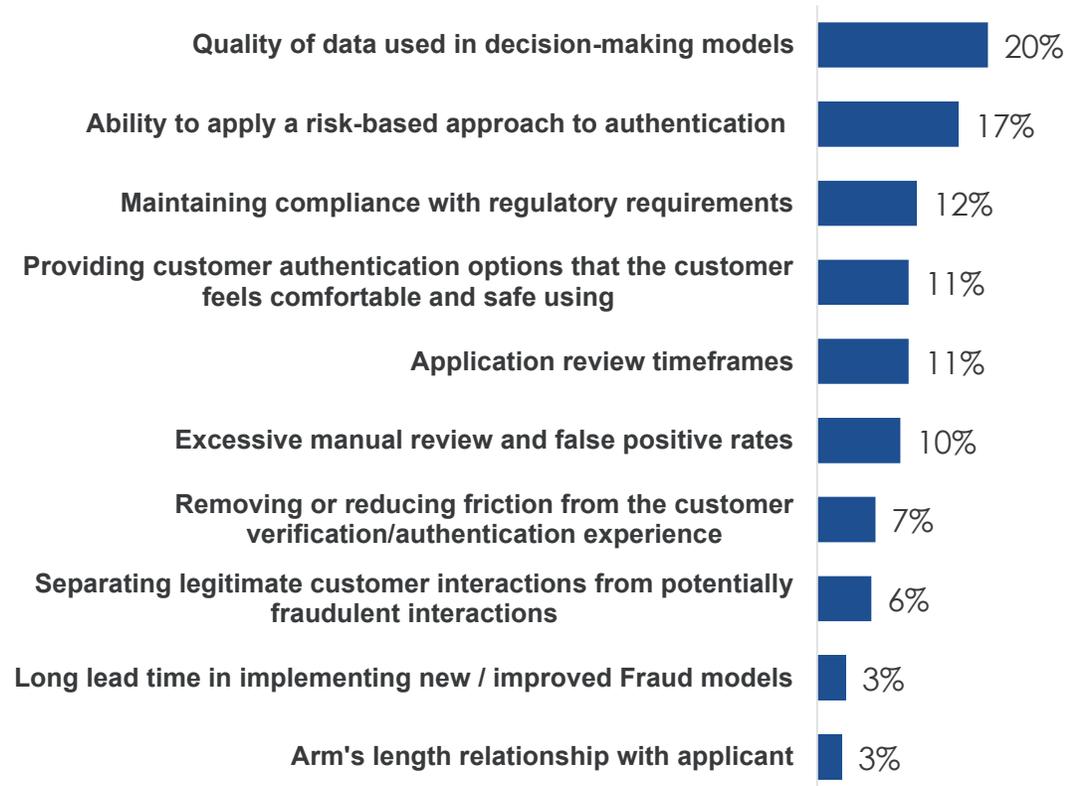
Among Total Sample QFRAUD22. What outcomes are most important when investing in technology to address and mitigate new account fraud? Select all that apply.



The most cited pain points with customer authentication reflect some data and process limitations. **Lenders aren't just battling fraudsters; they're also fighting outdated workflows and inconsistent tools.**

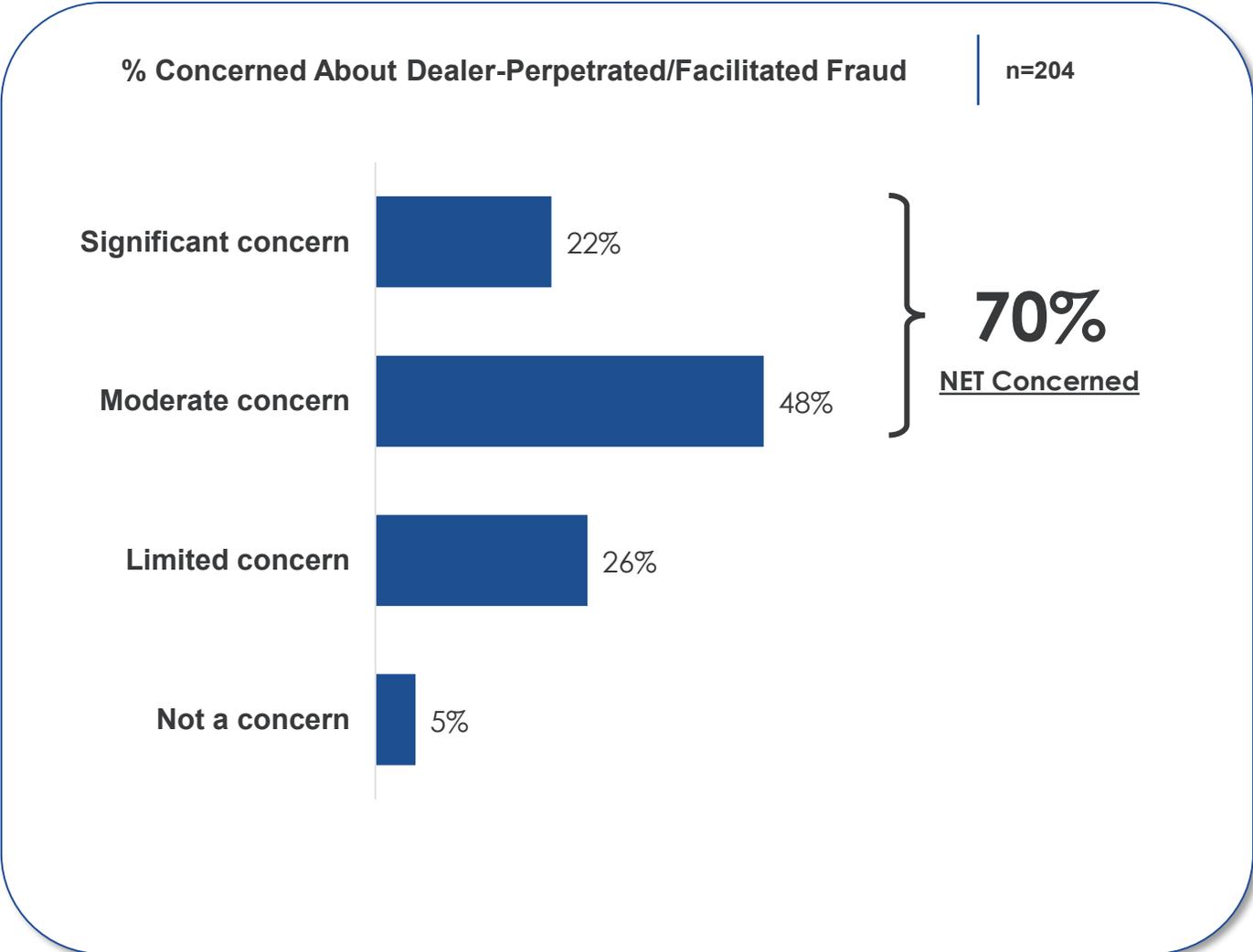
Pain Points in Preventing/Detecting Auto-Finance Fraud within Customer Verification/Authentication

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RESPONDENT ORGS' APPROACH TO FRAUD MANAGEMENT IN INDIRECT CHANNEL

7 in 10 lenders say that they are concerned with dealer-facilitated fraud -- 22% say it's a significant concern. **This suggests that while indirect channel fraud may not always be the top priority, it is broadly recognized as a material risk in the auto lending ecosystem.**



Fraud & Early Payment Default Losses caused by Dealers | n=204

*This concern is grounded in reality; lenders report an average of **20%** of fraud and early default losses coming from dealer-perpetrated fraud, underscoring the need for **tighter dealer oversight and point-of-sale controls.***

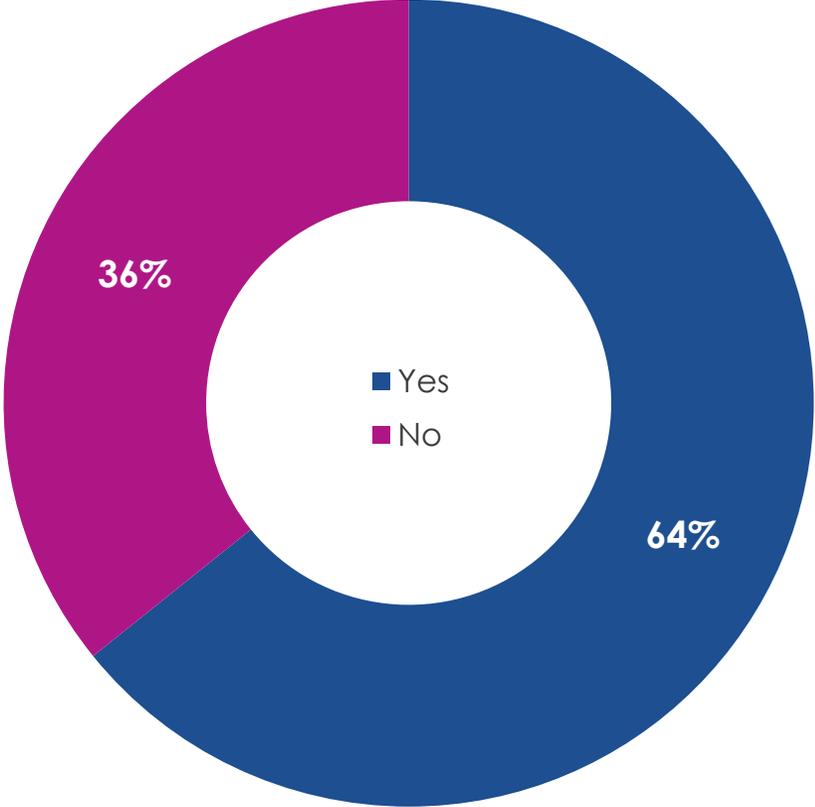
Among Total Sample QFRAUD24. How much of a concern, if at all, is **Dealer-perpetrated / facilitated fraud** for your organization? QFRAUD25. To the best of your knowledge, approximately what percentage of your fraud and Early Payment Default losses do you believe comes from dealer-perpetrated fraud? Please indicate with a percentage from 0-100 to the best of your knowledge.



Nearly two-thirds of auto lenders (64%) require dealers to repurchase loans associated with fraud or early payment defaults. **This reflects industry-wide expectations of shared risk between lenders and dealer partners.**

% Saying Their Org. Requires Dealers to Repurchase Frauds or Early Payment Defaults

n=204



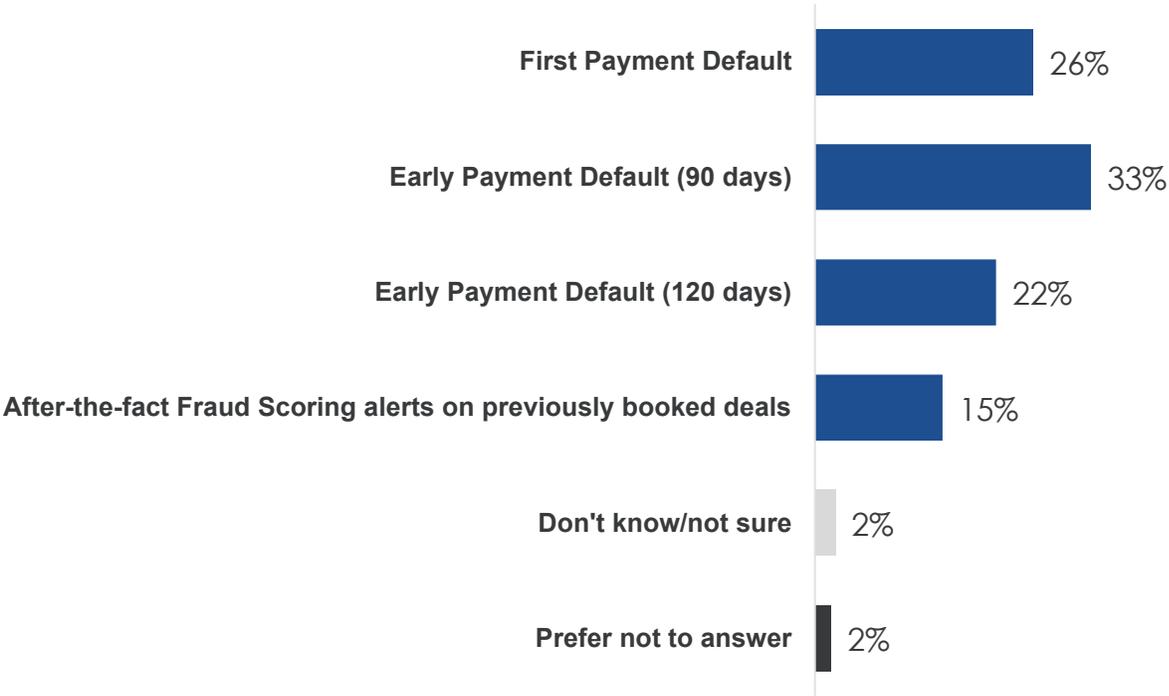
Among Total Sample
QBIZ5. Does your organization require dealers to **repurchase** frauds or early payments defaults?



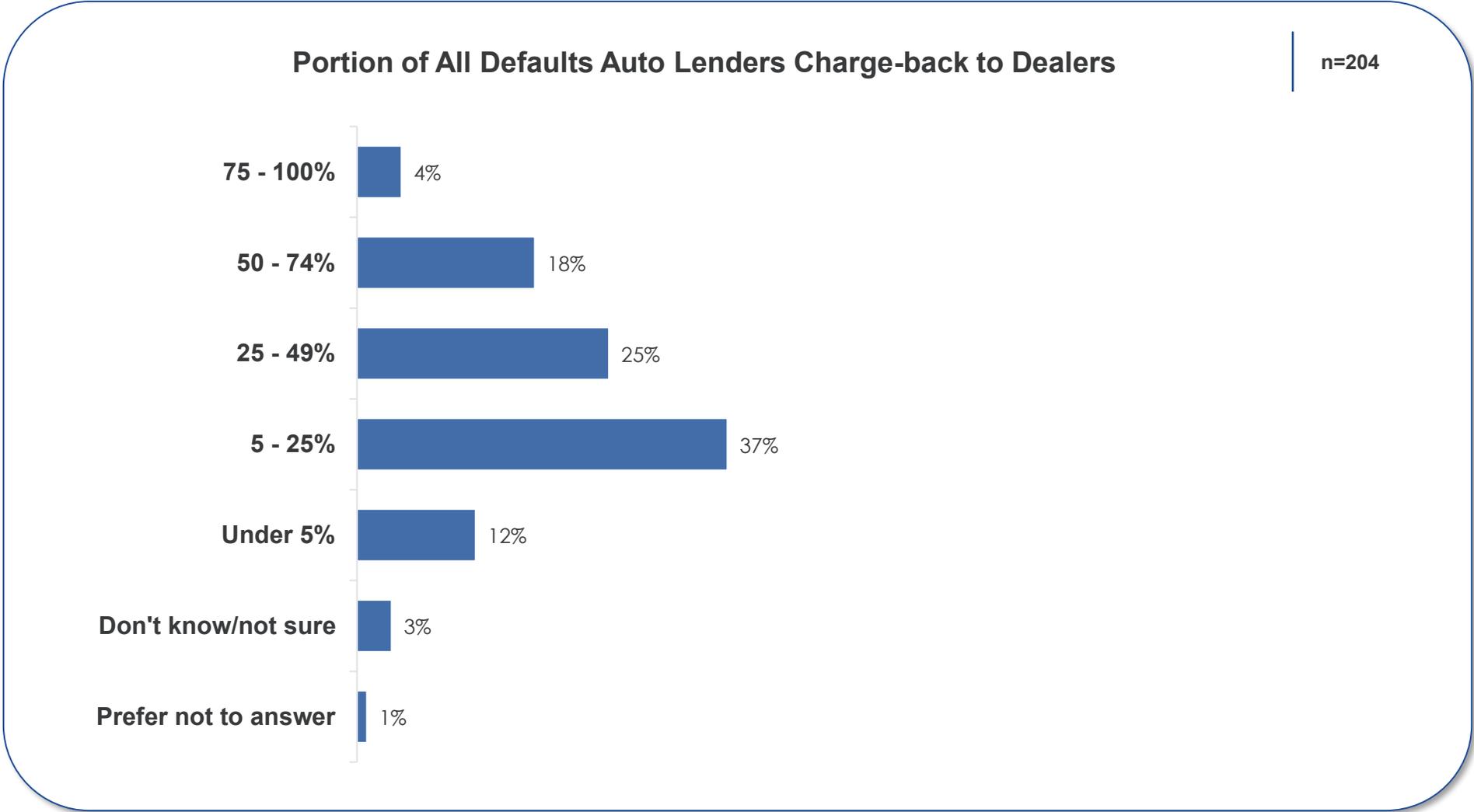
When focusing on auto lender charge-backs to dealers, the **most cited criteria is Early Payment Default at 90 days (EPD-90)**, used by 33% of lenders for dealer charge-backs. First Payment Default (26%) and EPD-120 (22%) also factor in, but to a lesser degree.

Auto Lender Charge-back Criteria for Dealers

n=204



The most frequent proportion of defaults that are **charged back to dealers is between 5-25%**, reported by 37% of auto lenders overall.



Among Total Sample QBI26. To the best of your knowledge, approximately what percentage of defaults does your organization charge back to dealers?

Conclusions

EXECUTIVE SUMMARY

1. Fraud is Escalating and Deeply Embedded in the Lending Lifecycle

Fraud is seen as persistent and rising, with **61% of auto lenders** saying **auto finance fraud is increasing YoY**, nearly **80% are concerned**, including **28%** who are **very concerned**, and **84%** that report either **confirmed or suspected cases** in the past 12 months. ***This growing pressure touches every step of the lending journey, from origination and underwriting to collections and dealer relationships.***

- *The ever-presence of fraud reinforces the reality for teams managing origination, underwriting, collections, and dealer oversight – where fraud is no longer an isolated risk, but one that disrupts operations across the board.*

2. Income & Identity Misrepresentation are Core Threats

Fraud concerns are concentrated around **front-end borrower deception – Income fabrication (47%), Forged Income documentation (45%), and Employment status misrepresentation (42%)**. This concern is further validated by the high adoption rates of borrower-focused verification solutions. That said, it is important to note **that manual checks and rigid workflows are still common**, ultimately slowing decisions and straining accuracy. While the problem is clear, **predictive fraud scoring tools lag in adoption - suggesting gaps in forward-looking prevention.**

- *The concern around income & identity misrepresentation is especially critical for roles managing underwriting or model risk, where data gaps and rigid workflows continue to impact efficiency and accuracy.*

EXECUTIVE SUMMARY

3. Collateral and Channel Risks Are Under-Protected

While borrower checks are strong, **asset-side validation is notably weaker**. Only **31% validate purchased vehicle value** and **23% assess trim/content** – a known path for dealer power-booking. Channel integrity also drops outside of the in-person settings, with **66% saying that in-person ID verification is ‘very effective’**. That said, only about **30% say the same for direct online, phone-based, or indirect dealer-submitted channels**. This fragmentation reflects a widespread vulnerability where **indirect channels and asset risk intersect** – creating ***a blind spot that allows for data manipulation and synthetic identity fraud – a dynamic that is especially critical for high-volume dealer networks.***

- These blind spots are especially risky in supporting the scale of high-volume dealer indirect lending channels, for which front-line fraud detection can't rely on manual checks alone and requires

4. The Balance Has Shifted: Growth Now Depends on Protection

Auto lenders are no longer choosing between scale and security. **55% say fraud prevention and customer acquisition are equally important**, while only **15% say they prioritize customer acquisition alone**. When investing in fraud tech, the top outcomes are telling; reducing fraud losses (**53%**), improving operational efficiency (**49%**), protecting customer wellbeing (**47%**) and boosting customer satisfaction (**43%**) – ***indicating a strategic shift, fraud tools are no longer just defensive – they are operational enablers.***

- Across fraud, risk, and sales teams alike, the message is clear: necessary fraud prevention must now also speed up the business and diminish friction.

EXECUTIVE SUMMARY

5. The Desire for Data Collaboration Is Rising

The industry is increasingly **ready to move from reactive prevention to proactive coordination** with 96% saying consortium data is valuable and 93% claim a likelihood to participate in a shared fraud mitigation network. This shift represents a powerful opportunity to unify intelligence across **fraud teams, credit risk, collections, and dealer sales**, ensuring all parties **see the same risk, at the same time, with shared context**.

Experian Automotive

Turning automotive data into insights
and **INSIGHTS** into **ACTION**



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