

# SubscriberWise®

*Risk Management Solutions for the Communications Industry*

## U.S. Creditors Criminally Duped

### SubscriberWise Chief Exposes Synthetic Identity Theft Involving Misuse of Child's SSN and Piggybacking of Trade Accounts; System Shields Member Operator from Fraud and Capital Loss

#### PRESS ROOM – FOR IMMEDIATE RELEASE

**Massillon, OH, January 13, 2011** – SubscriberWise, the nation's leading provider of analytics-driven subscriber risk management, announced today that its CEO has put the brakes on an identity theft that duped at least 5 U.S. credit grantors and included more than a dozen fraudulent credit inquiries, while potentially compromising the credit rating of a minor child. The action culminated with alerts to law enforcement, several victim creditors, the Identity Theft Division of the Federal Trade Commission, the three national credit reporting companies and consultations with scoring and fraud experts at FICO.

According to a fraud expert familiar with the investigation, the scheme involved 47 unauthorized-user trade lines, between two national credit card accounts, and among unrelated individuals around the United States; all accounts associated with the fraud were immediately frozen at the national repository following the revelation from SubscriberWise.

"Parental identity theft is specifically the most common identity theft for communications operators across the nation," said David Howe, president of SubscriberWise. "In virtually every instance involving parental identity theft, a parent with an unpaid service account contacts the operator with their minor child's identity information and attempts to obtain service under false pretenses. Typically, operators are provided the child's legitimate name and SSN, but given a fictitious date of birth in an attempt to circumvent the fraud. In nearly all of these situations, SubscriberWise generates an exception when attempting to verify identity elements with the information systems it queries. When elements fail to match, the system returns an instant alert to CSR's with specific instructions or recommendations of how to proceed. SubscriberWise then stores reports for review by managers, thus providing additional opportunities to proactively uncover any predatory behavior before it's too late."

"Although the situation today involved a similar parental misuse of a minor child's SSN, the scenario here was far more egregious because the usual alerts were not instantly triggered during the credit prequalification process. Instead, the credit system processed the application successfully and returned a favorable decision to our member operator; it's the very same process that allowed at least 5 other creditors to unwittingly approve their fraudulent applications and worse, extend credit."

"Fraud experts today call it synthetic identity theft because it involves a variation of assuming another's identity," explained Howe. "In this case, the parent was able to associate his legitimate identity information with the child's SSN. The danger of this behavior is obvious because when the victim is a child of the perpetrator, the crime can go unreported for a long time since children aren't in the market for credit and certainly not actively monitoring credit accounts for fraudulent or suspicious behavior."

“Clearly this scenario was far more methodical than a simple fraudulent service request using a minor’s SSN,” continued Howe. “What’s troubling here is that a credit file was actually created with the national repository through an auto finance inquiry using legitimate identity elements, but fraudulently associated with a child’s SSN. The file was created when indicative information was submitted as part of the initial online application.”

“And that’s when the trouble really began,” stated Howe.

“Although the initial file didn’t contain any trade accounts, and was therefore non-scorable, the perpetrator was able to obtain two credit card accounts that were added to the new-to-credit file – a process called piggybacking – that contained positive payment behavior during a multi-year period. The addition of the trade accounts allowed the file to generate a credit score, providing the illusion of a credit worthy individual – and ultimately approval of several credit applications.”

“The SubscriberWise decision management system incorporates an analytic scoring algorithm with an independent and specific rule set for generating a credit score. To calculate a credit score using this technology, the system requires an individual to have a bureau file at the national repository, with at least one account six months old or older that’s been updated by a creditor at least once in the previous six months,” explained Howe.

“Given the rule requirements of the scoring algorithms, and combined with due diligence features in the SubscriberWise decision management system, our system triggered a manual review of the otherwise favorable application. It was during the manual review that we identified a credit report that contained only 3 months of file history, but from a credit applicant that happened to be 40 years old; a genuine concern unless the applicant also happened to be a recent immigrant, which could explain the new file. In other words, we’d expect a 40 year old to have about two decades of bureau history - not 12 weeks,” suggested Howe. “However, after additional investigation, we confirmed two unauthorized credit card accounts that were aged between 3 and 5 years, associated with the report. We continued our investigation by submitting the suspicious SSN to a database that indicates the year and location of issuance. The system revealed the SSN was issued only 15 years ago, another strong red flag for a 40 year old applicant. Finally, after confronting the applicant directly to verify additional identity information, the perpetrator admitted the SSN belonged to his child.”

An audio excerpt of the telephone conversation confronting the applicant is available by clicking: <http://www.subscriberwise.com/SyntheticIDThef.wav>

“There is no end to the number of clever schemes people will devise in an attempt to obtain our products,” said Massillon Cable president and SubscriberWise member Robert Gessner. “It is very comforting to see that SubscriberWise is equally clever, diligent and in the forefront of developing new methods to detect and stop fraud. SubscriberWise has been fundamental to the elimination of virtually all bad debt and the recovery of virtually every single piece of customer premise equipment without jeopardizing our buy-in rate for new customers or upgrades. Maintaining that high level of performance is important to us.”

“I’m very pleased with the system we’ve developed at SubscriberWise”, concluded Howe. SubscriberWise is proven a powerful and cost effective risk management tool for our member operators. But today it’s also provided an indirect benefit to a child by protecting him from behavior that could result in an unfavorable credit rating when he’s ready to obtain legitimate credit as an adult.”

### **About SubscriberWise**

The nation’s first Issuing Credit Reporting Agency for the communications industry, SubscriberWise® employs enhanced Subscriber Level Segmentation technology to precisely

identify credit challenged subscribers to ultra-high achievers to maximize sales and boost profits. By incorporating years of communications performance data and proprietary decisioning models, including FICO's latest analytic technology (FICO® 8 Score), SubscriberWise delivers unprecedented predictive power with a fully compliant, score-driven decision management system. Combined with Red Flag compliance and operator-controlled rules, SubscriberWise analytics empower CSR's to instantly and accurately respond to payment and credit characteristics with appropriate options for every subscriber. With SubscriberWise, no subscriber request is ever denied because of credit risk factors.

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