

CASE STUDY

## Custom Fraud Model Changes the Way Large Bank Screens for Deposit Account Fraud

### Challenge:

Each month, a large bank lost \$1–2 million to direct deposit account fraud, which targeted both checking and savings accounts. The fraud occurred both from in-person branch visits and from online and phone channels. However, 56% of the fraud occurred in the online and phone channels — resulting in a fraud rate 5.5 times higher than the fraud rate associated with accounts opened in branches.

The bank's existing fraud detection system flagged suspicious applications and the bank then manually reviewed these applications. It was a time-consuming effort that missed many fraudulent transactions and falsely flagged legitimate transactions, resulting in a poor customer experience.

Looking for modern solutions, the bank piloted various off-the-shelf solutions, but these still produced too many false positives and, most importantly, continued to overlook many fraudulent applications.

### Solution:

Using a data sample provided by the bank, the TransUnion team quickly developed a custom fraud score for each channel as a proof of concept. The scores identified deposit account applicants likely to result in a fraud loss.

TransUnion's rapid model development capability enabled the team to develop two analytic models customized to the bank's needs. This innovative approach reduced the development process from months to days.

### Results:

The custom fraud score ranks the likelihood of fraud on a scale of 0 to 999, with a lower score indicating a higher likelihood of fraud. The results of the custom model showed that the **bank could identify 11.5% of all their fraud in just the lowest scoring 1.8%** of applications, which represented **\$4.1 million in fraud losses annually**.

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The proof of concept isolated a potential **\$4.1M reduction in fraud losses** in just **1.8% of deposit accounts** with minimal manual effort for the customer.

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## Results (cont.)

Then during implementation, the bank continued to run its manual review process on the records flagged with low scores. They discovered that 93% of the time, their review found these records were likely fraudulent applications, verifying that **TransUnion's custom fraud score was successfully identifying fraud.**

For the remaining 7% of accounts that passed the bank's standard manual review, 90% were also discovered to be fraud within a week, illustrating that **custom TransUnion scores effectively capture both third- and first-party fraud.** As a result of the scores' effectiveness, the bank can focus its manual reviews on the appropriate accounts.

The strategy can be easily adjusted to isolate additional potential fraud loss, as the bank's labor resources permit. Their fraud team can also use the scores to monitor the quality of deposit account applicants across all channels.

## LEARN MORE

To discover how TransUnion can help your company establish consumer identities, authenticate consumers and prevent fraud visit [transunion.com/truvalidate](https://transunion.com/truvalidate).

## THE TRANSUNION RAPID DEVELOPMENT PROCESS

- **Analyze and Develop**  
Provide your fraud performance data; TransUnion then analyzes the issue to be addressed.
- **Build**  
Rapidly builds a model leveraging the fraud performance data.
- **Demonstrate**  
We demonstrate the custom model results to your team.
- **Refine**  
We make any necessary refinements.
- **Test**  
The custom model is tested prior to being deployed to production.
- **Implement**  
The model is live in production. Ongoing partnership between your team and TransUnion continues to grow and adjust as necessary.