



Automotive Fraud Schemes in the New Decade

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Today's Presentation

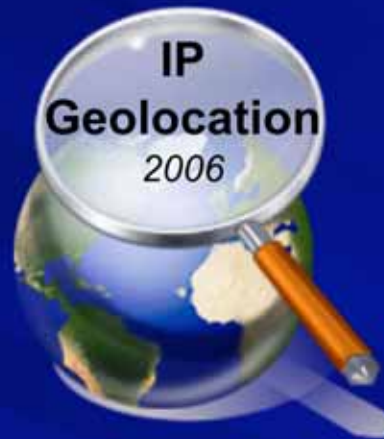
- Recent fraud prevention initiatives
- Challenges in the new decade
 - increased e-commerce activity
 - international and organized crime
 - identity theft
- Beyond 2010
- Q&A



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Recent Fraud Prevention Initiatives



Red Flags Rule

Requires written identity theft prevention and detection programs
FTC compliance deadline June 2010



Form 8300
Report of Cash Payments Over \$10,000 Received in a Trade or Business
Internal Revenue Service

Free annual credit report
2004





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Increased e-Commerce Activity

“Forty-four million used cars were sold in the US last year; over half of which were sold online. During the same period, Internet fraud rose 33 percent...”¹

- **Spoof Web sites**

- simulation of credible Web site
- property may or may not exist

- **Reputable Web sites**

- non-existent vehicles or misrepresentations of existing vehicles
- cars.com, ebay motors

- **Curbstoning**

- repeated, unlicensed flipping of used cars for profit²
- craigslist.com and other classified ad mediums

¹ “Auto Industry Leaders Unite to Combat Online Fraud,” *Business Wire*, April 9, 2009

² “AutoTec Launches Major Initiative to Stop Curbstoning,” *PRWeb*, March 22, 2010

International and Organized Crime

“...92 percent of [online] retailers said they were victimized within the past year, and nearly three-fourths also reported the level of organized activity had increased.”¹

■ Phantom vehicles

- originating in Eastern Europe, Russia and Africa
- property does not exist or cars for sale elsewhere on the Internet by legitimate sellers²

■ Bogus vehicle transporters

- thieves use false identification and credentials to pose as automobile haulers³
- stolen property from dealerships, auctions

¹ “eBay and NRF Team To Combat Online Retail Crime,” NewsFactor, March 22, 2010

² “Auto Industry Leaders Expose Latest Fraud in Online Used Car Marketplace,” FAIR Online, May 13, 2009

³ “Thieves Exploit Weaknesses in Hauler System,” Automotive News, December 21, 2009

Identity Theft

“...every two hours a fraudulent identity is used to purchase a car.”¹

- **Techniques to steal personal information have become more sophisticated**
 - from dumpster diving to phishing
 - from collecting physical property to electronic keystroke monitoring
- **Bank/finance fraud**
 - loans taken out in a victim's name
 - 1.4% of stolen identity information is used to secure auto loans/leases²

¹ “Identity Theft - No Laughing Matter,” *Dealer Magazine*, March 4, 2007

² “Consumer Fraud and Identity Theft Complaint Data: January – December 2007,” *Federal Trade Commission Research Report*, February 2008



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