The Threat of Credit Abuse

Protect Against First-Party Fraud

The Growing Challenge for Lenders

First-party fraud and credit abuse represent a significant and evolving threat to modern lending profitability. Unlike third-party identity theft, credit abuse involves individuals using their own identities — or manipulated versions of them — to borrow funds with no intention of repayment. This behavior is a primary driver of bad debt, with research indicating that up to 35% of card issuers' total bad debt write-offs result from related activities[1].

An analysis of the market, conducted by Equifax, reveals a staggering financial impact:

- A $6 Billion Problem: Across the Auto, Personal Loan, BankCard, and Retail sectors, annual losses exceed $6 billion.[2]
- Early Payment Defaults (EPDs) Drive the Majority of Losses: EPDs are the primary indicator of this behavior, accounting for $5.57 billion (93%) of total losses.[2]

To protect margins and ensure sustainable growth, lenders require specialized solutions to identify associated high-risk patterns to protect profitability, safeguard compliance, and enable portfolio growth.

According to Equifax analysis, first-party fraud costs lenders and vendors nearly $6 billion annually [2]

Introducing Credit Abuse Risk

Credit Abuse Risk is a proprietary, machine-learning product designed to detect and mitigate first-party credit abuse fraud. It utilizes gradient-boosting methodology, leveraging unique insights from FCRA-regulated data. Credit Abuse Risk proactively identifies and flags applications from high-risk borrowers who may be using their real identity but with an intent to deceive or defraud for financial benefit. Designed for use with general creditworthiness scores, Credit Abuse Risk leverages FCRA-regulated data, providing a defensible score and reason codes that can be used to confidently support FCRA compliant adverse action decisions on new applications.

Credit Abuse Risk provides a powerful, specialized layer of defense that works alongside existing risk frameworks. It is designed to capture specific indicators of potential fraud that are distinct from general creditworthiness, allowing for a more comprehensive view of an applicant.

Benefits for Lenders

1. **Protect Profitability and Reduce Losses**
By identifying high-risk, early-default behavior at the point of account opening, Credit Abuse Risk helps stop losses before they hit charge-off status to protect margins and ensure that unrecoverable losses do not compromise portfolio health.

2. **Enhance Operational Efficiency**
Early identification of risky behavior allows businesses to take proactive measures, reducing the time and resources wasted in collections and recovery departments. It strengthens reporting by ensuring portfolio data remains clean and accurate.

3. **Enable Informed Portfolio Growth**
With more precise risk segmentation, lenders can more confidently expand approvals and unlock new market opportunities—including near-prime and underserved segments—without expanding the overall fraud risk profile.

4. **Maintain Compliance and Governance**
The use of FCRA-regulated data and the provision of clear reason codes support informed, risk-based decisions while facilitating required adverse action notices and meeting regulator expectations for proactive fraud controls.

Take Action Against Credit Abuse

Don’t let first-party fraud compromise your portfolio’s health and your organization’s bottom line. Contact your Equifax representative today to request a retrospective performance analysis. By sharing a sample of your recent applications, we can demonstrate how Credit Abuse Risk could have identified high-risk accounts within your portfolio, providing the data-driven confidence you need to strengthen your defenses and fuel safe growth.

equifax.com/business/product/credit-abuse-risk

Key Product Features:

- **FCRA-Compliant Scoring:** Generates a numeric score ranging from 1 to 990, where a higher score indicates a higher risk of credit abuse.
- **Regulatory Readiness:** Enables the utilization of the score to decline applications or modify terms based on their specific risk appetite.
- **Actionable Reason Codes:** Provides up to five reason codes ranked by relevance to support informed, risk-based decisions and facilitate required adverse action notices.
- **Flexible Delivery:** Supports immediate decisioning at the point of application via real-time APIs or periodic portfolio reviews through batch processing.
- **Broad Application:** Makes available a solution that is optimized for a wide range of products including credit cards, auto loans, personal loans, and Buy Now, Pay Later (BNPL) services.

Source:

1. Equifax Internal Analysis, Q3 2025. Data based on ChargeOff amounts as of September 2025 for open trades (Auto, Bankcard, Retail and Personal Loans) originated between January and August 2024.
2. same.