RESIDENT SCREENING
& FRAUD PREVENTION
BEST PRACTICES

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About RETA

Real Estate Technology Alliance (RETA) is an association with a mission to foster, through collaboration and partnership, the development of next-generation systems and solutions that will enable real estate companies and their technology vendors to do business globally in the 21st century. RETA is recognized as the leading voice of the global real estate community, articulating the technology requirements of companies of all sizes to the vendor community. RETA facilitates the development of technology models that will foster innovation, improve the customer experience, increase the effectiveness and efficiency of real estate companies, and create a healthy ecosystem of technology suppliers.

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Executive Summary

The real estate industry needs new ways to manage and mitigate customer risk. Rapidly evolving regulatory space that varies widely between jurisdictions creates one set of issues. At the same time, privacy regulations make it difficult and expensive to aggregate an accurate risk model for each potential resident, despite new analytics, payment models, and methods for measuring risk across real estate company customers. This document is the collected wisdom and best practices of RETA members for resident risk evaluation. It reflects modern tools, data, regulatory requirements, property and applicant types, and other best practices to ensure properties have an accurate model for each potential customer, helping to reduce fraud and increase on-time payments for many properties.

To that end, we recommend that executives responsible for the screening process create a strategy that:

- Sets a risk-based approach to resident screening
- Utilizes active tracking of the screening process performance to articulate financial impact to the organization (and improvements over time)
- Actively tracks jurisdictional requirements to ensure compliance.
- Utilize new methods, tools, and data sources that reduce the likelihood of fraud or potential remittance into collections
- Creates a standard, repeatable process across properties where possible

In this document, you'll learn about different processes, tools, and outcomes used to improve screening at many leading real estate firms. Depending on your location or jurisdiction, some best practices or strategies may not be available due to regulatory requirements. You, the reader, are expected to be aware of applicable laws that apply to the screening process and are ultimately responsible for adhering to these rules.

Retail and Commercial Screening Comparisons

Every rental type is different, and, accordingly, the screening process will be different for each type of property. Here's a chart of some of the things you'll need to keep in mind while creating a standard screening process.

Rental Type	Distinguishing Characteristics	Considerations
Retail / Commercial	1. Tenant Application: Provides basic lease information needed when drafting a lease document, outlines basic business operations and use of space (attached). It also gives the Landlord permission to run a credit check and basic qualifying information such as: Have you ever filed bankruptcy? Are you a US citizen? Have you ever been evicted? 2. Credit Report: Review score against actual entries on the report to assess risks, debt, and past credit history on personal guarantor 3. Secretary of State Business Info: Tenant to provide exact entity and documentation of good standing and authorized signors, which we verify on the SOS website 4. Conceptual Info: a) For existing businesses, review of business website and social media pages and yelp reviews, etc. b) For new businesses, we request a business plan and any supporting material. 5. Financials: a) Business Financials – PNL, gross sales, and tax returns for past two years; b) Personal Guarantor - personal financial statement, last two years of tax returns, and copies of bank statements validating cash on hand. 6. Property Specific Evaluation: Assess the viability of business concept related to the specific properties market and resident profile to assess conceptual risk. For example, a new trendy idea not proven in the retail industry would have a higher risk than an established concept. These factors are somewhat objective and discussed in depth with our broker, who has market-specific knowledge and is considered during lease negotiations when determining what concessions we are willing to give a business (free rent, tenant improvements, and commissions). We also look at the prospective tenants' use	

concerning existing tenants at the property to determine their overall fit in the tenant mix.

Screening: Identity Collection and Verification

To comply with regulations and make business decisions, your property must collect data. Here, we take a look at the various forms of data you should collect and how you can verify its accuracy.

ID Verification

Identification is an essential part of the screening process. Here's a list of standard IDs used to determine a prospect's identity for multifamily properties:

- 2D Barcodes
  - US driver license
  - US state ID card
  - Mexican driver license
  - Canadian driver license
- MRZ Barcode:
  - Passports from all countries
  - Military ID
  - Green card
  - Visa (Not recommended without an accompanied passport)

Certain identification types are more challenging to falsify than others. This doesn't mean that you shouldn't enforce your policies, but rather be on the lookout for them. For example, a driver's license can easily be faked for visual inspection but usually fail when passed through a third-party ID service. Passports don't generally have addresses listed, but they are much harder to fake. If someone uses a visa for verification, always ask for the passport linked to it. Real ID verification is always preferred, no matter the document.

When you request identification from someone, there is always the risk of getting a fake document. An ID verification policy helps protect your staff and residents, in addition to defending the property from financial risk. Your policies may vary by customer interaction, such as what's required for a tour vs. the application, but specific standards must be kept in mind.

One recommended action is to use a third-party ID verification service to validate the authenticity of a prospect's ID. This process will use a Software, app, or hardware scanning tool to scan the bar code of the ID presented to the leasing staff. Some of the benefits of ID Scanning include:

- Enhance tour safety for staff
- Improved Fair Housing compliance
- Reduction in fraudulent rental applications and tours
- Data capture accuracy
- Modernization of ID process
- Reduced general liability (GL)

- Enhanced consumer privacy by returning IDs to prospects immediately before touring
- Savings of time for staff not touring units to false applicants

Employment Verification Considerations

The ability to pay is a primary concern when looking at potential customers, and employment is a leading indicator of their ability to meet obligations. Employment verification is an essential part of your screening program.

A few things to consider as you create your best practices to prevent employment fraud include searching employment information to verify that the personal data and income match what's listed on the paycheck stubs. Confirming that the address on the stub matches the employer information is another way to ensure that the stub is authentic. Credit bureaus may also have the data you need to verify employment if you're having trouble getting in touch with the employer. If bank statements are provided, direct deposit is strongly correlated to jobs

Another option is to get the applicant's permission to access their financial institution and download comprehensive information such as:

- Identity (Name, address, join account holder's name)
- Checking & Savings account balances
- The last six months of the transaction, including direct deposits (Net Income) from the employers or check deposits from the self-employed.

One benefit of this is the quick insight and verification of their ability to pay. In most cases, the employer's name will be listed on the direct deposits. Based on the frequency of direct deposits, you can determine their payment schedule and amounts. This method works well for salaried employees since they typically receive the same payment every time. You can average out the direct deposits over the past six months for hourly employees who have a varied work schedule to determine income.

Returned Screening Score

As a part of using third-party verification and screening services, you will get screening scores that will impact the potential customer's lease terms, rent price or deny them as a tenant. Based on the local jurisdiction, you may not actually be allowed to use the information to decide. Some score guidelines are not shared with property team members to ensure equal application of housing decisions. Often, the category of the issue is shared, but not the specific problem (for example, credit-related, but not returning a credit score to property staff). The customer will get an adverse action letter explaining the issue but generally is not shared with property staff.

Understanding and Detecting Fraud

Fraud is an inherent risk of any business, including real estate. Learning how it happens and how you can detect it before a loss is incurred is vital to the health of your property.

Identity Theft

Identity theft is a serious crime. It occurs when someone uses your personal information, such as your name, Social Security number, or credit card number, without your permission to commit fraud or other crimes. The Federal Trade Commission (FTC) estimates that as many as 9 million Americans have their identities stolen each year. You should often review your credit report and credit card statements to verify that you made the charges shown. To learn more, read OCC's Answers about Identity Theft, If You Become a Victim of Identity Theft and Identity Theft on the FTC website. [1]
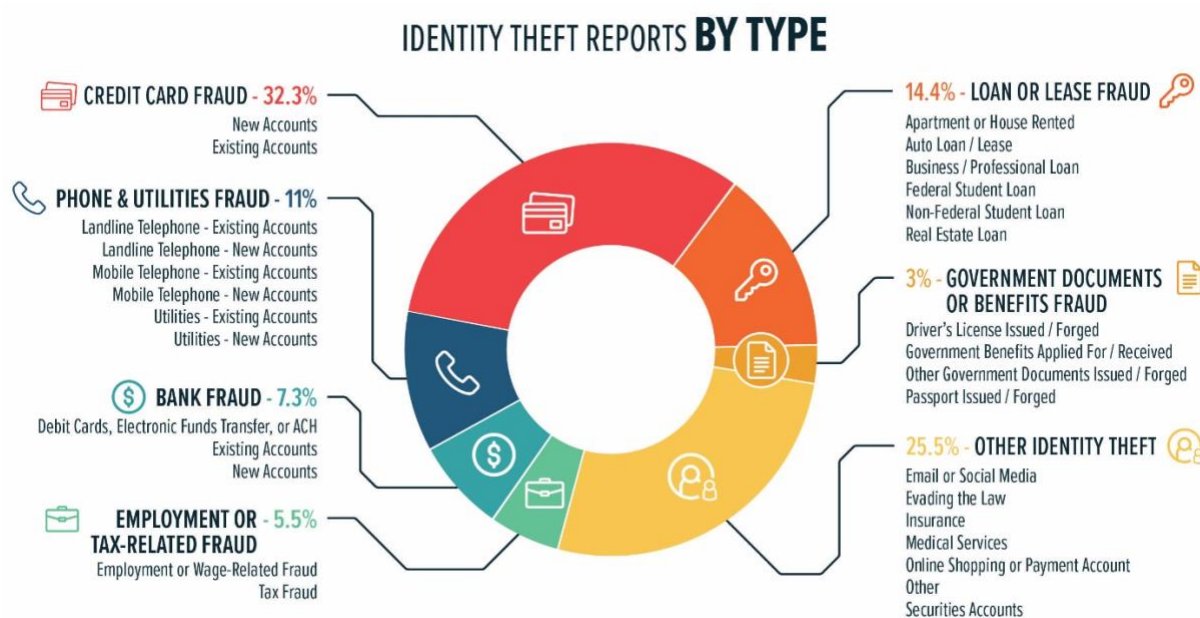
FIGURE 1: IDENTITY THEFT TRENDS BY TYPE [2]

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[1] https://www.occ.gov/topics/consumers-and-communities/consumer-protection/fraud-resources/types-of-consumer-fraud.html

[2] https://www.idstrong.com/stats/
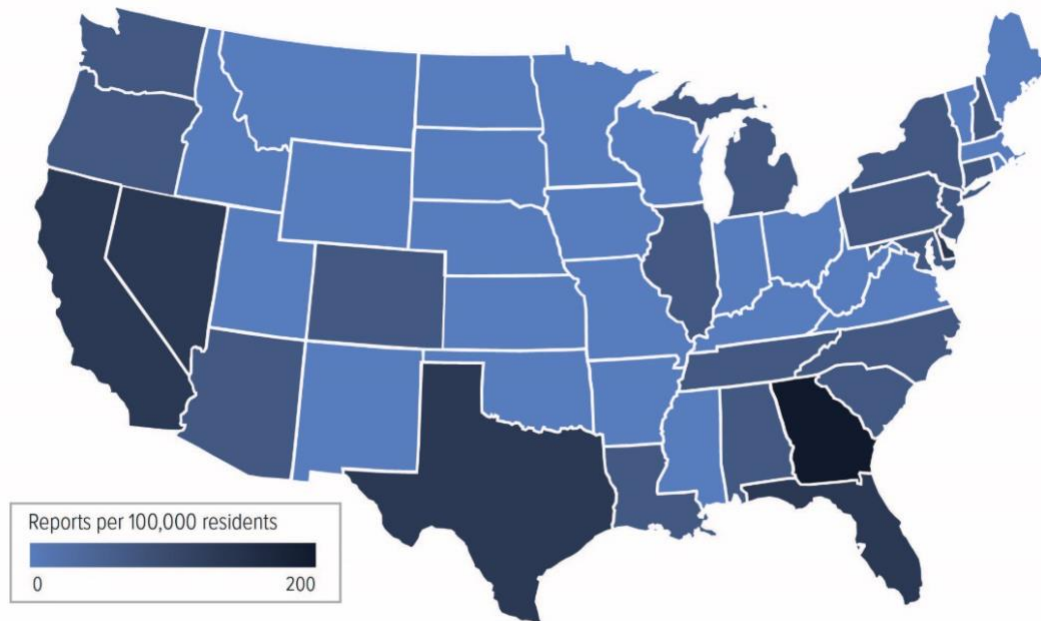
According to the Federal Trade Commission in 2019, Georgia has the highest percentage of identity theft reports per capita, and California has the highest total number of reports.

FIGURE 2: IDENTITY THEFT REPORTS ACROSS THE US [3]

Top 10 Metropolitan Statistical Areas for Identity Theft Reports [4]

Rank & MSA	Reports per 100,000	Total reports
1. Macon-Bibb County, GA	321	738
2. Columbus, GA-AL	308	950
3. Atlanta-Sandy Springs-Roswell, GA	292	16,902
4. Warner Robins, GA	280	532
5. Miami-Fort Lauderdale-West Palm Beach, FL	274	16,617

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[3] https://www.consumeraffairs.com/finance/identity-theft-statistics.html

[4] https://www.consumeraffairs.com/finance/identity-theft-statistics.html

6. Los Angeles-Long Beach-Anaheim, CA	258	34,334
7. Las Vegas-Henderson-Paradise, NV	232	5,005
8. Dallas-Fort Worth-Arlington, TX	226	16,334
9. Memphis, TN-MS-AR	218	2,929
10. Bakersfield, CA	208	1,841

SOURCE: FEDERAL TRADE COMMISSION "CONSUMER SENTINEL NETWORK DATA BOOK 2019"

Synthetic Fraud
Overview

Synthetic identify (SID) fraud is when an individual creates a fictitious identity around some actual information to defraud an organization, agency, or person. Synthetic identity fraud is currently the fastest-growing type of financial crime. The progressive uptick in synthetic identity fraud is likely due to multiple factors, including data breaches, dark web data access, and the competitive lending landscape. (Experian: Five Fraud Threats Facing Business in 2021)

SID fraud differs from identity theft because it cobbles details from multiple individuals to create a new false persona. The differences between identity theft and SID fraud are further explained in the graphic below.

DIFFERENTIATING TRADITIONAL IDENTITY FRAUD FROM SYNTHETIC IDENTITY FRAUD

Traditional Identity Fraud

Perpetrator
+
Person A's Name
+
SOCIAL SECURITY
★★★★★
★★★
Person A
+
Person A

This is a faudster who pretends to be another real person in order to use his or her credit.

Legitimate Use

Person A
+
Person A's Name
+
SOCIAL SECURITY
★★★★★
★★★
Person A
+

This is a real person who uses valid information to set up accounts and obtain credit.

Synthetic Identity Fraud

Perpetrator
+
Other fake identifying information
+
SOCIAL SECURITY
★★★★★
★★★
Person A

SYNTHETIC ID

This is a fraudster who combines fake and sometimes, real information to establish a credit record under the new synthetic identity.

FIGURE 3: FRAUD TYPES[5]

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[5] https://fedpaymentsimprovement.org/wp-content/uploads/frs-synthetic-identity-payments-fraud-white-paper-july-2019.pdf

What has led to this rise in SID fraud? Industry experts point to several contributing factors leading to this increase, such as the near-universal use of social security numbers as identifiers in the US. Gaps in the credit verification process and data leaks have also been used to get the information needed to make these fake profiles. This information is then made for sale on unregulated websites and networks, referred to as the dark web.
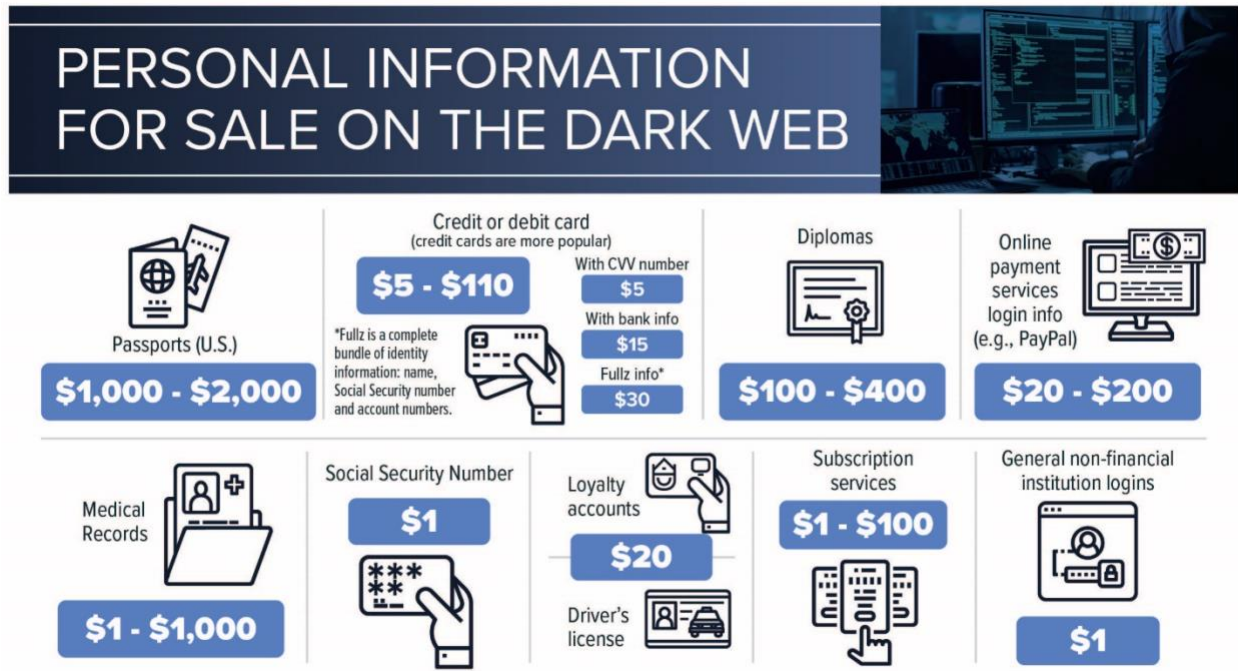
FIGURE 4: INFORMATION AVAILABLE TO FRAUDSTERS[6]

Synthetic Identity Indicators

How can you tell if you're dealing with SID fraud? Here's a list of things to look out for:

- Credit file depth is inconsistent with the customer age or other profile information
  - Multiple Identities with the same SSN
  - Multiple applications from the same phone number, mailing address, or IP address
  - Use of secured credit lines or "piggybacking" to build credit as an additional account holder
  - SSN issued after 2011 (an indirect consequence of randomizing SSNs)

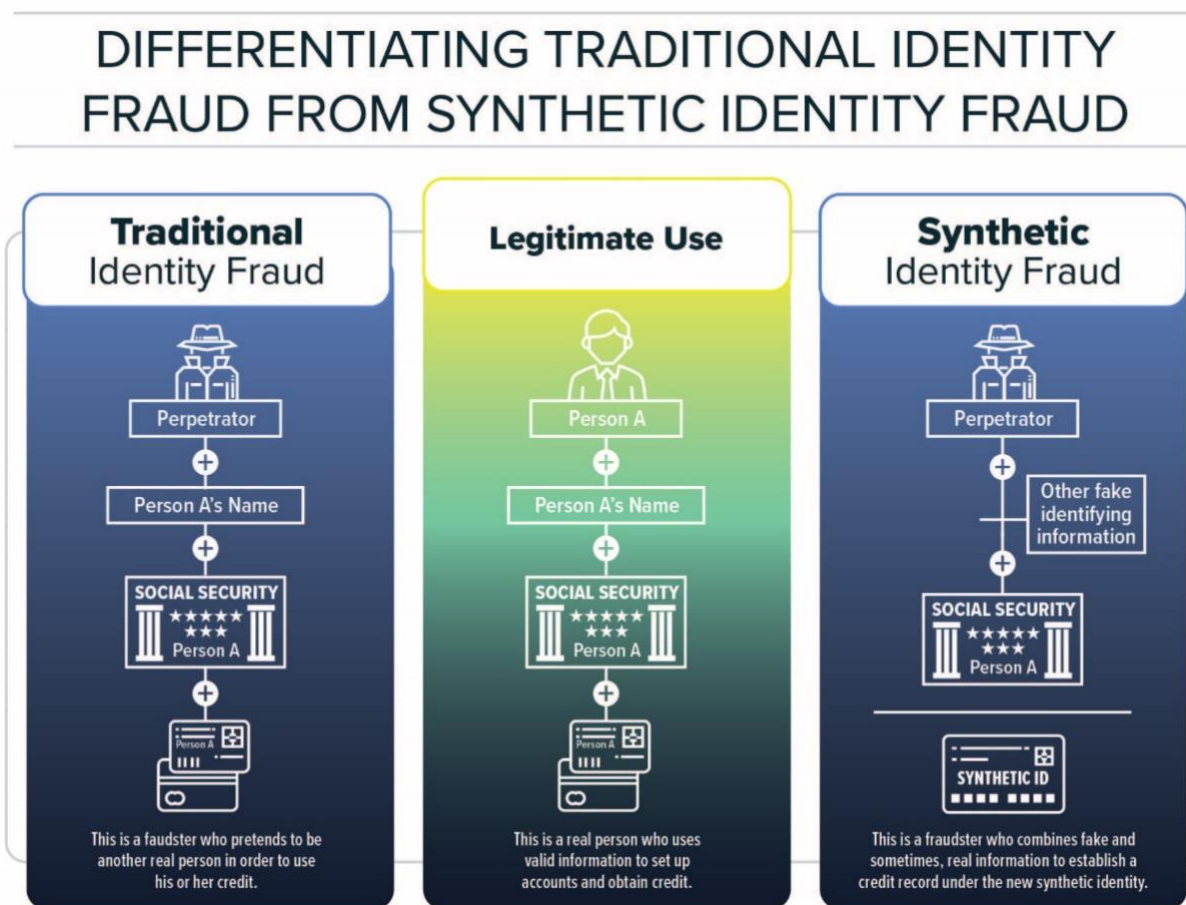[6] https://fedpaymentsimprovement.org/wp-content/uploads/frs-synthetic-identity-payments-fraud-white-paper-july-2019.pdf

FIGURE 5: INFORMATION AVAILABLE TO FRAUDSTERS[7]

Prevention

At this time, there is no means for one group to address synthetic fraud on their own, and to prevent fraud in the future will require the evolution of other technologies to prevent it. The best defense right now is to be vigilant.

Useful Resources

https://www.fraudoftheday.com/identity-theft-fraud/ provides real-world examples of various fraud examples, including ID Theft, Housing Fraud, and many others.

Federal Reserve White Paper, July 2019: Synthetic Identity Fraud in the US Payment System: https://www.federalreserve.gov/newsevents/pressreleases/other20190709a.htm

Federal Reserve White Paper, July 2020: Mitigating Synthetic Identity Fraud in the US Payment System: http://www.fedpaymentsimprovement.org/wp-content/uploads/frs-synthetic-identity-payments-fraud-white-paper-july-2020.pdf

Federal Trade Commission: https://www.ftc.gov/

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[7] https://fedpaymentsimprovement.org/wp-content/uploads/frs-synthetic-identity-payments-fraud-white-paper-july-2019.pdf

Application Fraud

Application fraud, or Non-Synthetic fraud, is when an applicant intentionally changes just a portion of the data shared. This can include removing a middle name, changing a DOB, misspelling the name, adding or removing a junior or senior, or utilizing an SSN where the date of issuance doesn't align with the applicant's age.

What are some ways to avoid this kind of fraud? One way is to make the middle name a required field in the application. Using a service or credit file to verify that the name, DOB and SSN are accurate is another way. Be on the lookout for relatively new SSNs from long-term US citizens. This could be a potential indicator of fraud.

Criminal Record Fraud

Criminal Record fraud occurs when someone changes the information in their application to hide past criminal history. These changes may be significant, including using identity theft or SID to create a new persona, or as minor as changing a birth date by one year.

One way to verify that information is through credit screening & criminal screening syndication and analysis. You compare the credit and criminal screening data to verify the information is correct and correlates between data sources. If there is a high degree of data correlation, you should feel a high degree of confidence in a report. Unfortunately, it can't always pick up cases of synthetic fraud. For it to work, it must be consistently and systematically applied. Currently, credit reporting is quick, but criminal reporting is very slow. Why is that? County, city, and other jurisdictions don't always automate information sharing. This means that you may have to make phone calls and submit forms to get the information you need.

To create the most accurate data to do those kinds of screenings, making sure that the following information is collected will be essential:
- Alias Names
  - Aliases include nicknames, hyphenated Names, and maiden names. You should do a criminal search on these names, as well as the reported ones. These can often be found in the credit report
- Alias Dates of Birth
  - An alias date of birth has a slight change in the numbers, most often a year above or below their actual birth year. This is why you must validate IDs.
- Middle Names
  - One way to get better and more accurate search results is by making middle names a requirement on the application. This is another reason why IDs must be validated.
- Reported addresses
  - The applicant may intentionally suppress an address in an attempt to hide a criminal record, but you can find additional addresses through credit reports or another service

provider. Once you have them, you should trigger state and county searches on these additional addresses. However, do not play private investigator and go too far, creating compliance and fair housing decision issues.

What are some of the issues you'll encounter in doing criminal record fraud prevention? The records aren't standardized by jurisdiction, so screening providers must enact "reasonable best practices to ensure accuracy." For example, many jurisdictions don't report the full date of birth, and some states, such as Louisiana and Utah, don't provide the DOB at all. In these cases, the date of birth can be validated through the credit report.

Data Sources & Suppliers

Where can you find the information you need to prevent fraud? This handy table contains suppliers that you can partner with to get the data you need to make the best business choices.

Type of Data	Use / Notes	Supplier
Income	Self-reported, hard to verify	Work Number, Plaid, Safely, Vicinity, MapInfo
Address, Previous Addresses	Does the address match their credit file and is it a residential address, or a business address?	LexisNexis, USPS, Pitney Bowes, Credit Bureaus as an aggregator
Employment Data (including industry data)	Could benefit from industry category level employment data - useful for CRM purposes but need to be careful about using it to provide a rental decision - can't discriminate based on the source of income in certain cities; length of employment, gaps in employment.	EmpInfo
Rental History	Does the information provided match their credit file	Rent Bureau (Experian), RealPage, TransUnion, Equifax (maybe)

Criminal	Be sure to stay on top of local restrictions and lookback period requirements	County, State, Aggregators such as Employment Screening Companies (HireRight, first advantage, sterling, backgroundchecks.com), Chekr, LexisNexis, Appriss, CoreLogic
Credit	Rely on your screening company to determine what can and cannot be used to make a decision	Credit Bureaus - mortgage credit report, generally geared towards real estate, Dunn and Bradstreet, Credit Bureau Business Credit.
Types of Debt		Credit Bureaus
Foreclosures / Bankruptcy	Sometimes not included in credit history due to regulatory factors.	LexisNexis, CoreLogic, Credit Bureaus

Best Practices for Screening Results

You've learned about screening processes to collect identity information and the various types of fraud you may encounter. Here are some best practices to create a screening process that is effective and complies with regulations and local jurisdictions. By setting up these internal agreements and processes, you'll be in compliance and find more fraud before it's too late.

- **Determine the ratio of risk to speed that your company is comfortable within the decision-making process**.
    - o By eliminating burdensome steps that don't materially impact the risk, you can speed the process up. This must be agreed to on all levels and communicated internally so everyone is aware of the standard.
- **Ensure that all processes and employees are informed by and of awareness and compliance with local restrictions, regulations, and laws.**
    - o One crucial area is the Fair Housing Act, where fraud checks must be applied appropriately, consistently, and equally. You can ensure that you remain in compliance by always running fraud prevention steps through software or a third-party vendor. Then, have a follow-up check to ensure that it was done that.
- **Create systems to review and verify the information.**

- Your team will process many pieces of data every day and creating systems to standardize the process.
    1. **First and foremost, having tools available to the teams that help them assess if documents are authentic and accurate information has been provided is vital.** This can be software for you to use or third-party providers that will do the research yourself. Frequently, it's a combination of the two.
    2. **Once you have the tools, cross-reference data in multiple stages in the process to make sure the applicant-provided data matches.** Inconsistent data can create inaccurate information at that stage in the review process, which will impact the process later.
    3. **When using screening providers for fraud indicators, be sure to know where their fraud identification process stops and where your corporate or onsite teams need to pick up the fraud analysis process.** Both groups need to work in tandem, and all individuals involved in the screening process should know what part they are expected to complete and the importance of completing it. Screening companies alone cannot prevent fraud. The company is ultimately responsible for due diligence.
    4. **Consider automating the income and employment verification through third-party services.** They have access to databases that contain this information. However, it's not useful for self-employed applicants or for renters in atypical situations.
- **Ensure that your processes are set up for these red flags.** This list is not exhaustive but will provide a few common items to look out for
    - Potential fraudulent social security numbers can be found sooner by having two recent documents with the SSN on them. Another way to verify is through consent-based social security verification. Under new regulations, this process validates the number and associated person.
    - Employment fraud is another area of concern. Search to verify data, income, and address of the employer matches the information available. The paycheck or pay stub may be fraudulent, but direct deposits are typically labeled with employer information.
    - Identity verification is not easily integrated into the overall process. Still, you can reduce the risk of fake IDs by making copies of the IDs presented and using facial recognition software to verify the name.
    - Criminal record fraud prevention can be difficult, but making sure you have the correct date of birth will help. The wrong date of birth can delay your search.

In closing…

We hope that this report has been helpful to you in understanding the screening process and the frauds you may encounter during it. RETA provides many valuable services to property managers and real estate corporations. You can learn more about them at our website: https://www.retall.org/

Appendix

Regulatory Considerations

Location	Act / Details	Effective	Notes
Colorado		12/2020	Possible eviction limitation - not signed by the governor but has passed both houses.
St. Paul, MN	Link	03/2021	Limitations on criminal, credit, rental history. Security deposit limitation.
Urbana, IL	Link	2012	No arrests/convictions - remove criminal is now the interpretation but hasn't always been. Why is this coming up now? Enforcement actions being taken?
Missouri	Link		Today, the American Civil Liberties Union and ACLU of Missouri filed an emergency brief urging the Circuit Court of Jackson County to halt eviction proceedings during the COVID-19 pandemic.
Clark, NV	Link		Income: Must not deny based on the source of income. Eviction: The Ordinance does not specify how landlords may verify that the applicant's prior eviction was related to COVID-19. So it is our position that you may require applicants with prior evictions to prove that it was due to COVID-19 and must then consider them as if they were not evicted.
Affordable AA Requirement	N/A	07/2020	Approved Language: 'You have a right to request a meeting within fourteen (14) days of the date of this letter for an informal review or dispute of the denial. If this denial was due to criminal activity, you might dispute the accuracy or relevance of the criminal record. If you are disabled, you may request consideration of reasonable accommodation.' Affordable housing properties may include these rights in their communication using a message center.

Virginia	Link	07/2020	Includes "Source of Funds" as a prohibited form of discrimination under the VA Fair Housing Act. The client is asking if we consider assistance, benefits, subsidy programs under "source of funds." The above ordinance would allow government and non-government housing vouchers, etc., to be considered part of the "source of funds."
North Carolina	75-63 Security Freeze	06/2020	Frozen file language added to the summary of rights for NC applicants/properties.
Seattle, WA	CB 119787	03/2020	Civil Emergency was the one declared by the Seattle Mayor on Mar. 3, 2020. The affected period is during the Civil Emergency AND six months after. The Civil Emergency is in effect until terminated, and I have not been able to find a termination, making me believe it is still in effect.

The ordinance prohibits the use of eviction records for adverse action EXCEPT where the eviction record was due to an "imminent threat to the health or safety of neighbors, the landlord, or the tenant's or landlord's household members.

There is a separate order by the mayor that put a moratorium on evictions was put in place on Mar. 14, 2020 and was extended to Jun. 4, 2020. After Jun. 4, landlords can evict tenants for ANY reason which conflicts with the civil emergency and will create a risk of denying for reasons other than being an 'imminent threat to the health or safety of neighbors, landlord, tenants, or landlord household members. |
| Washington | Senate Bill 5165 | 06/2020 | This bans discrimination based on citizenship or immigration status. The ban is included in seemingly all areas where discrimination is banned, including in the WA version of FHA. For RV purposes, it seems that we would be prohibited from doing an immigration-related screening, but that is not something that we do in WA, so I don't suspect there is anything for us to change. |
| Minneapolis, MN | Link | 06/2020 | Impacts credit, eviction, criminal, income, and security deposits. |

Washington D.C.			Cannot use eviction data.
Berkley, CA		05/2020	California SOR ONLY. Authorization language needed. Auto opt-in consumer reports being sent to app/prop located in Berkeley.
Cincinnati, OH	Renter's Choice	01/2020	Security deposit requirements. The client may request a new condition be added to accommodate security deposit options as It requires them to "offer to accept at least one" of the items in (A), (B), and (C).
Portland, OR	Fair Access In Renting	03/2020	
Oakland, CA		02/2020	California SOR ONLY.
Cook County, IL	Just Housing Amendment	01/2020	
Colorado	House Bill 19-1106	01/2020	
Oregon	Senate Bill 484	01/2020	Landlord Requirement: Can't charge more than one screening fee within 60 days, regardless of how many units are owned by the landlord and how many times the application applies.
Oregon	ORS 90.303	01/2020	
Detroit, MI ban-the box	CH 26 of the 1984 City Code	08/2019	
New York, NY	S6458	06/2019	
Seattle, WA	SMC 14.09	02/2018	SOR ONLY.
Washington D.C.	21-677	02/2017	
Wisconsin	704.085	2017	Offer opt-out for the screening report.
Newark, NJ	12-1630	2012	No clients currently located in Newark.
California	Cal. Civil Code § 1950.6	1997	Landlord Requirement: Provide the applicant with a receipt that "itemize[s] the out-of-pocket expenses - This requirement would not mean breaking down the RV fee into more detail, and the RV fee should be able to be placed on the

			receipt along with their extra fees for processing, etc.
California	1786.22	1975	Offer opt-in for the screening report.