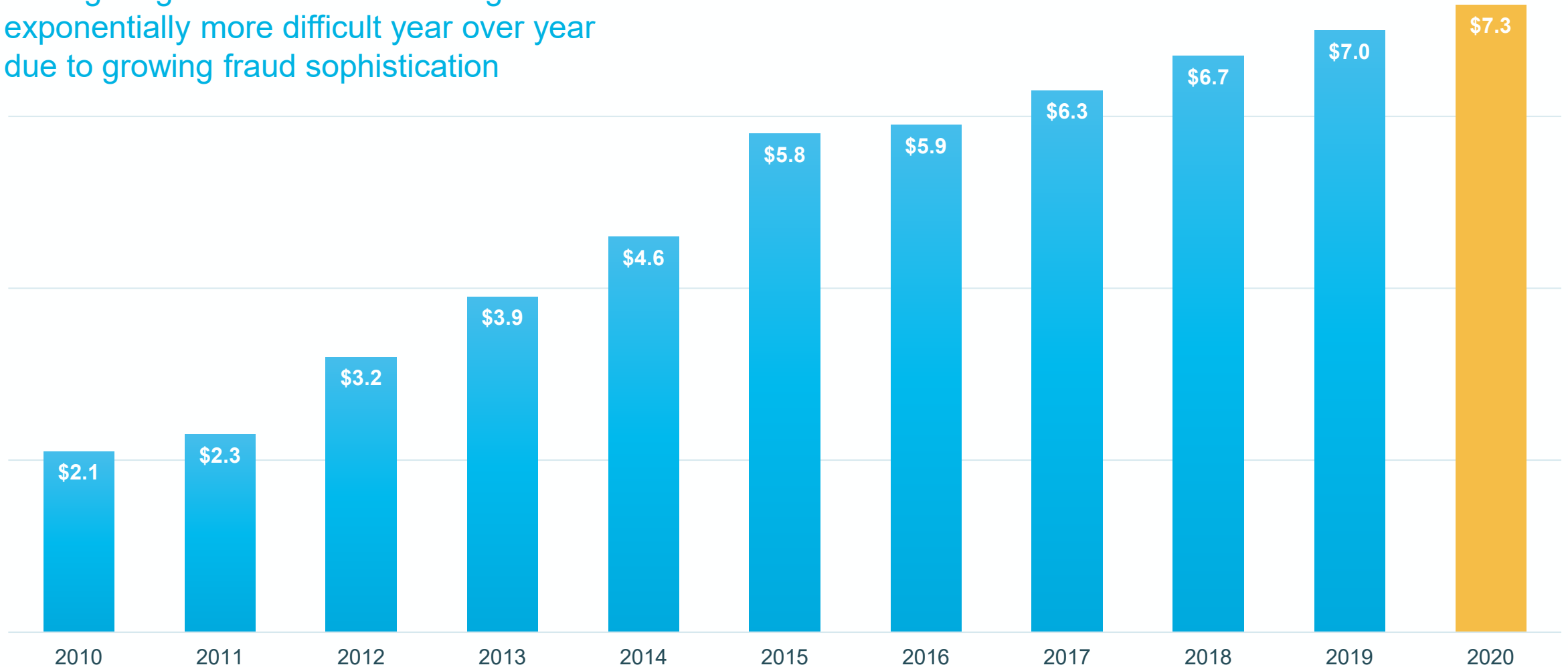


defi SOLUTIONS +  POINT PREDICTIVE

Where Fraud Is Headed in A Post Pandemic World

Auto Lending Fraud Estimates Are Climbing Through 2020

The fight against fraud is becoming exponentially more difficult year over year due to growing fraud sophistication



Drivers of Fraud Risk Exposure This Year and Into 2021



Higher early
payment default



More income and
employment fabrication



Increase in straw
borrower risk

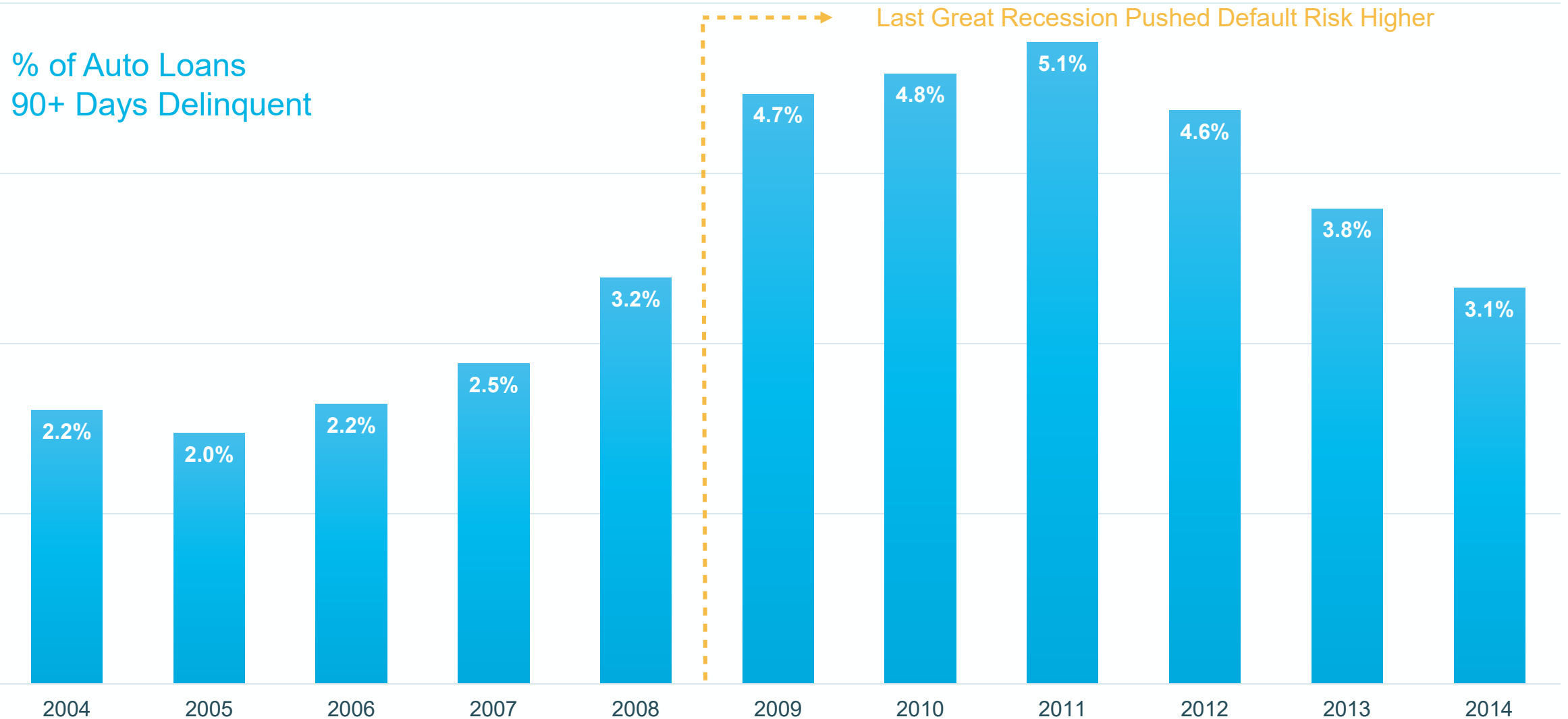


More questionable
credit repair activity



More online
fraud

Experience Shows A Recession Will Likely Push EPD Rates Up in 2021



Employment Fraud – Increases in Fabricated Employers Hit Auto Lenders

Since March 2020 in Consortium

13 fake employers used in **1,906**
different applications for **\$36 Million**
in fraudulent loans.

| Employer (Obfuscated) | Fraudulent Applications | Total Loan Value | Aggregated Salaries |
|--------------------------|----------------------------|---------------------|------------------------|
| RE***** | 785 | \$14,337,472 | \$62,120,664 |
| EN***** | 624 | \$12,199,886 | \$29,854,161 |
| TN***** | 91 | \$2,831,921 | \$8,321,548 |
| CI***** | 84 | \$1,300,000 | \$4,400,000 |
| FO***** | 74 | \$1,294,674 | \$3,574,234 |
| QU***** | 51 | \$1,168,476 | \$3,712,176 |
| RE***** | 44 | \$764,328 | \$2,084,132 |
| ME***** | 43 | \$1,088,432 | \$3,758,172 |
| NO***** | 30 | \$323,054 | \$1,103,964 |
| ZU***** | 33 | \$672,010 | \$2,962,800 |
| CY***** | 14 | \$51,000 | \$700,000 |
| NI***** | 15 | \$239,813 | \$714,608 |
| DF***** | 18 | \$293,097 | \$1,115,880 |
| Total | 1,906 | \$36,564,163 | \$124,422,339 |

Income Fraud – Egregious Income Misrepresentation Increasing

Borrower reporting 4 different employers in a week with salaries ranging from **\$80,000** to **\$300,000**.

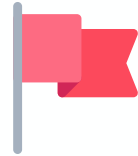
Borrower reported incomes across different lenders

| Lender | App Date | Name | Address | Make Model | Mileage | Sales Price | Employer | Stated Income |
|-----------|------------|---------------|-------------------|----------------------------|---------|-------------|----------------------|---------------|
| This loan | 05/09/2020 | J**N SMITH | 610 EAST DOT DR | Jeep/Wrangler | 50,482 | \$40,000 | JOHN SMITH PLUMBING | \$300,000 |
| Other | 05/08/2020 | J***S SMITH | 610 EAST DOT DR | Jeep/Wrangler | 12,548 | \$48,500 | John Smiths Plumbing | \$190,000 |
| Other | 05/07/2020 | J*****N SMITH | 450 Sout EAGLE DR | Jeep/Wrangler | 33,225 | \$44,000 | Lyft Driver | \$300,000 |
| Other | 05/06/2020 | J*N SMITH | 610 EAST DOT DR | Jeep/All new Wrangler | 299 | \$40,000 | John Smiths Plumbing | \$80,000 |
| Other | 05/06/2020 | J*****N SMITH | 610 EAST DOT DR | Jeep/All new Wrangler | 299 | \$32,000 | Uber | \$125,000 |
| Other | 06/12/2019 | J**N SMITH | 6110 EAST DOT | Chevrolet/SILVERADO 3500 | 86,955 | \$58,875 | JG PLUMBING LLC | \$154,740 |
| Other | 09/01/2019 | J**N SMITHS | 6110 EAST DOT | GMC LIGHT DUTY/SIERRA 3500 | 49,294 | \$49,983 | JG PLUMBING LLC | \$144,000 |

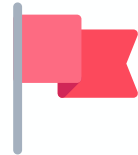
Straw Borrowers – Higher Rates of Straw Borrower Schemes

As lenders tighten up on lending strategies, more borrowers are pushing into straw borrower schemes to get their cars.

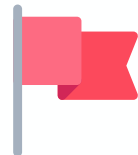
Key Straw Borrower Red Flags on The Increase



Removal of co-borrowers between applications to different lenders.



Blind trade-ins (straw borrower owns the vehicle).

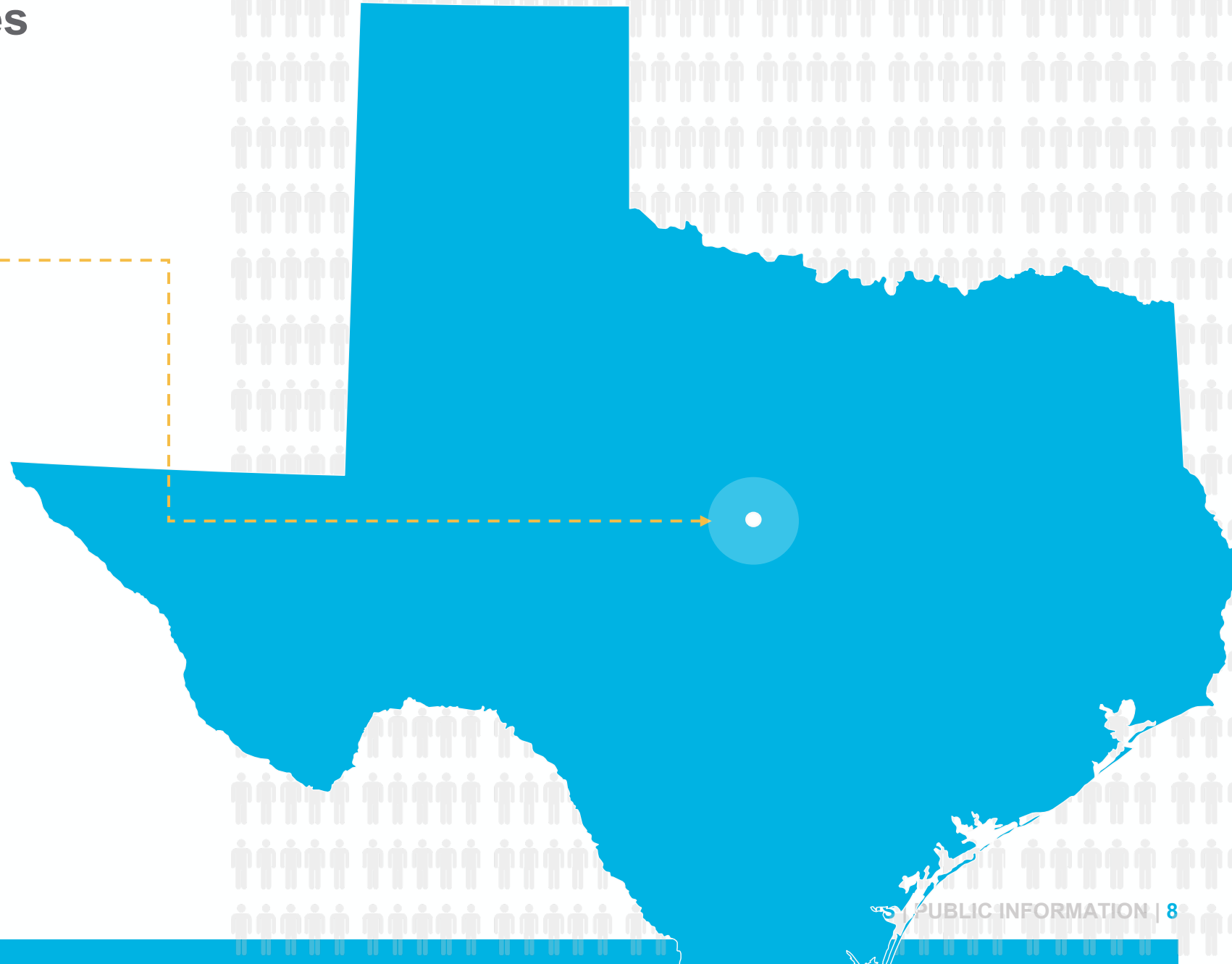


Complete out of pattern purchase for borrower.

Credit Repair – Increases in Synthetic and Credit Washing Activity

650+

A Point Predictive fraud analyst discovered a single address in Texas associated with over **650 different** synthetic identities.



Tackling Fraud in A Post Pandemic World

Collaborate Through Consortium Participation (Integrated at defi SOLUTIONS)



80 million applications scored

\$2.5 billion in EPD tracked

70,000 + dealers tracked daily

Shared fraud employers, addresses,
synthetic fraud rings across lenders

Detects all fraud types, not just identity

Point Predictive Solutions through defi, Enable Powerful Scoring in Realtime

1

Auto Fraud Manager

Powerful scoring and alerting technology to identify all fraud types prior to funding, including dealer.

2

IncomePass

Automated income validation leveraging 8 separate sources, including matching to prior reported incomes.

3

SyntheticID Alert

Identify synthetic identities leveraging the auto lending fraud consortium.

IncomePass™ Report
 Application ID - 1234567 Date - 08/15/2019 Employer - Walmart Occupation: Manager Stated Income: \$35,000 Time on Job: 2 years

IncomePass (™) Score
85
 Low Risk - Pass

Low Risk Income Reasons

- ▲ **Stated Income Within 15% of Predicted Income** - Borrowers stated income is within 15% of model prediction based on analysis of millions of reported & validated incomes.
- ▲ **Income Consistency** - Borrowers stated income is consistent with incomes reported by the borrower in the past.
- ▲ **Employment Consistency** - Borrowers stated employment history is consistent with prior employers reported by the borrower in the past.

Key Income Statistics

| Model Predicted Income | Estimated Income Low Range | Estimated Income High Range |
|------------------------|----------------------------|-----------------------------|
| \$36,000 | \$30,000 | \$40,000 |

Income Alerts Analyzed

Alert Checked

- Income to Model Prediction Check - Borrower stated income within 15% of predicted income based on model.
- Income to Prior Reported Income Check - Borrower has not provided a significantly different income than reported in the past.
- Income to Occupation Check - Borrower income consistent for stated occupation based on comparison to other borrowers.
- Income to Employer Check - Borrower income consistent based on comparison to other income reported by borrowers at the same employer.
- Income to Location Check - Borrower income consistent based on comparison to other income reported by borrowers in the same geographic area.
- Employer Time on Job Check - Borrowers time on job has not deviated significantly to another employer.
- Employer Check - Borrowers employer has not deviated in last 60 days in applications to other employers.
- Employer Check - Borrowers employer is not an uncommon employer that has never appeared in the consortium.
- Employer Check - Borrowers employer not on a prior fraud report from consortium or other lenders.
- Default Check - Loan factors do not indicate an elevated risk of default to the population.

Income History Matched for Borrower

| Lender | App Date |
|--------------|------------|
| This Loan | 09/05/2019 |
| Other Lender | 06/15/2019 |
| Other Lender | 05/01/2018 |

Auto Fraud Alert Report

Fraud Score
986

of Consortium Alerts
23

Risk Level
High

Summary Risk Analysis

- Income Risk: Very High
- Identity Risk: Medium
- Straw Borrower Risk: Low
- Collateral Risk: Low
- Default Risk: Very High
- Dealer Risk: Very High

Key Application Information

| | | | | | |
|---------------------|---------------------|---------------|-----------|------------------|-----------|
| Application ID: | 50730721 | Loan Amount: | \$30,960 | Dealer ID: | 100330786 |
| Application Status: | D | LTV: | 77% | Dealer Name: | Tates |
| # of Borrowers: | 1 | PTL: | 3% | Dealer Location: | TX |
| Borrower Location: | Rosenberg, TX | DTE: | 10% | Car Make: | Jeep |
| Credit Score: | 0 | Loan Term: | 72 Months | Car Model: | Wrangler |
| Income: | \$300,000 | Time in File: | 0 Months | Sales Price: | \$40,000 |
| Employer: | JOHN SMITH PLUMBING | High Credit: | \$0 | Mileage: | 50,482 |

Consortium Insights - How often borrowers are matching to consortium negative files and deviations

| | Home Phone Matches to Prior Default | Employer Phone Match to Prior Default | SSN Matches to Other Name Variations | SSN Match to Prior Default | Email Match to Prior Default | Recent Address Deviation | Recent Income Deviation | Recent Employer Deviation |
|-------------|-------------------------------------|---------------------------------------|--------------------------------------|----------------------------|------------------------------|--------------------------|-------------------------|---------------------------|
| Primary | - | - | 5 Detected | - | - | - | - | - |
| Co Borrower | - | - | - | - | - | - | 1 Detected | 1 Detected |

Fraud Alerts - Key alerts identified for each risk area

Income and Employment Alerts Fired - 10 Alerts For Review

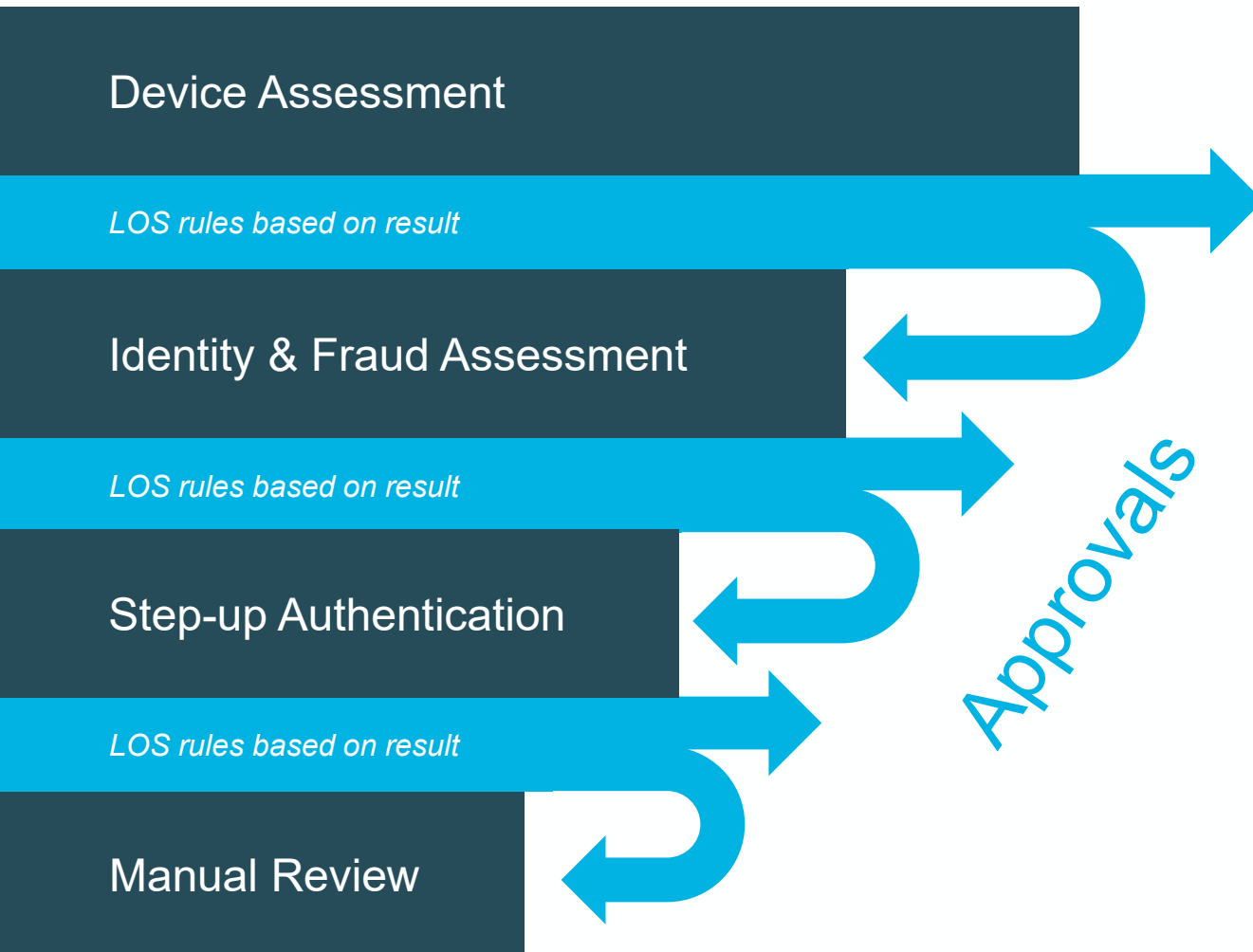
| Alert Type | Alert Description |
|------------------|--|
| Income Inflation | Borrower stated income was flagged as high-risk for 15% or greater overstatement by Income Validation Alert model. |
| Income Inflation | Borrower stated income is above city-state-occupation average on external salary database. |

Page 1 of 4



Enabling A Flexible Path Forward

With fraud occurring in increasingly more sophisticated ways, solutions built on balanced information and technology partnerships offer the most flexible and adaptable path forward



A multi-layered strategy addressing

- Devices
- Identity verification
- Fraud assessments
- Synthetic identity assessments
- Step-up authentication



LOS integrations enabling rules based waterfall actions based on returned results

- Increased automation and efficiencies
- Enhanced approvals – letting the false positives through
- Decreased fraud – catching the true fraud based on multiple factors

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