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2024 Report

The State of Applicant Fraud

Exploring Trends and Solutions
in the Multifamily Industry

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Introduction

Fraud is evolving at a rapid rate

Fraud has become a widespread and pressing challenge for the multifamily industry and property managers can't keep up.

Property managers frequently encounter sophisticated schemes designed to slip through the cracks. From falsified pay stubs to meticulously altered bank statements, fraudsters' tactics are evolving faster than ever, making it increasingly difficult for property managers to stay one step ahead.

Historically, tools like bank linking, document fraud detection, and OCR (optical character recognition) technology have provided robust defenses against fraudulent activity. These solutions have played a critical role in identifying red flags within applications.

But as fraudsters grow more inventive, they uncover and exploit the blind spots inherent in static, traditional systems — forcing the industry to rethink how it approaches fraud detection by staying vigilant and investing in preventative measures, you can ensure your business remains secure and trustworthy.

To shed light on this issue, Snappt has developed the State of Multifamily Fraud Report, leveraging unique insights drawn from our extensive expertise in fraud detection and prevention. This report is based on data collected from two comprehensive nationwide surveys of property managers and decision-makers, providing firsthand perspectives on the scale and impact of fraud across the industry.

As a leader in fraud detection, Snappt brings a depth of knowledge built on analyzing over 10 million documents, supported by our dedicated fraud forensics team. This expertise allows us to uncover trends, identify vulnerabilities, and offer actionable insights to help multifamily professionals stay ahead of evolving fraud schemes.

Not all fraud is created equal

Fraudsters employ a range of tactics to sneak through the leasing process.

Some manipulate documents directly (first-party fraud), others impersonate another individual on their documents (third-party fraud), and increasingly, they rely on technology to generate entirely fake documents from scratch.
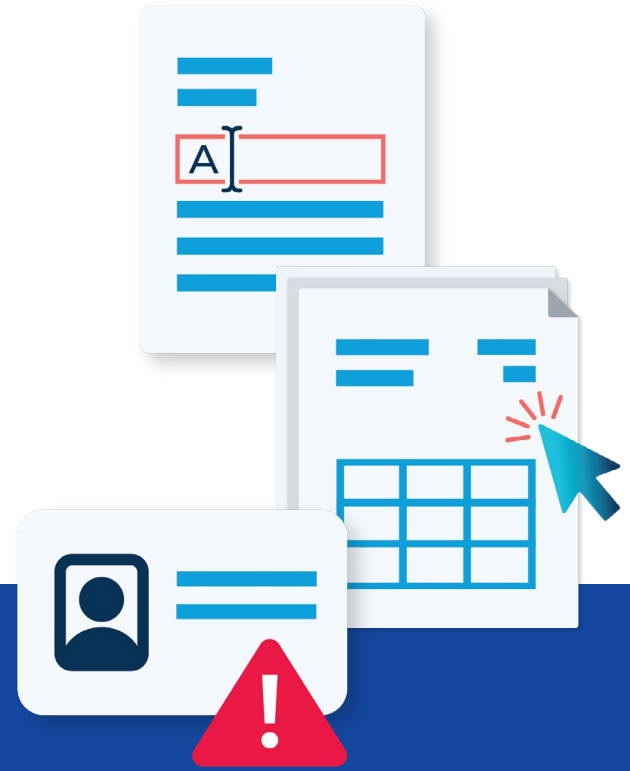
Methods used by fraudsters

01 FraudGPT

FraudGPT can create realistic fake documents, enable synthetic identity fraud, and automate fraud at scale.

02 Text Insertion

Applicants directly edit the text on their income document to change their financial standing.

03 Online Templates

Applicants can find templates online to replicate popular payroll providers, enter whatever information they want, and submit it to the leasing team.

04 Identity Theft

Applicants may use stolen personal information to create fake documents, create an AI-generated fake ID, or impersonate someone else entirely.

05 Social Engineering

Fraudsters give tips to other individuals on how to alter their documents or provide workarounds to avoid fraud detection systems altogether.

06 Done-For-You Documents

Instead of providing you with a blank template to create your own income document, done-for-you documents are when a company or individual creates a completely falsified document for someone.

New fraud attacks occur everyday

Zero-day attacks occur when fraudsters exploit a vulnerability in software or hardware before the developers have had a chance to fix it.

These types of attacks can be especially damaging as they take advantage of previously unknown weaknesses, making it difficult for businesses to protect themselves.

Property managers deal with extensive customer and resident data, making them vulnerable to cyber-attacks. In the case of applicant fraud, a breach can occur when a bad actor successfully bypasses fraud detection software.

Snappt's Fraud Forensics team discovered a devious type of fraud in which an applicant uses a real pay stub from a legitimate company even though the applicant does not exist as an employee at said company. This type of attack, known as Inception Fraud, is particularly dangerous because it can go undetected by traditional fraud detection technologies, and it required Snappt to implement a new step in the process.
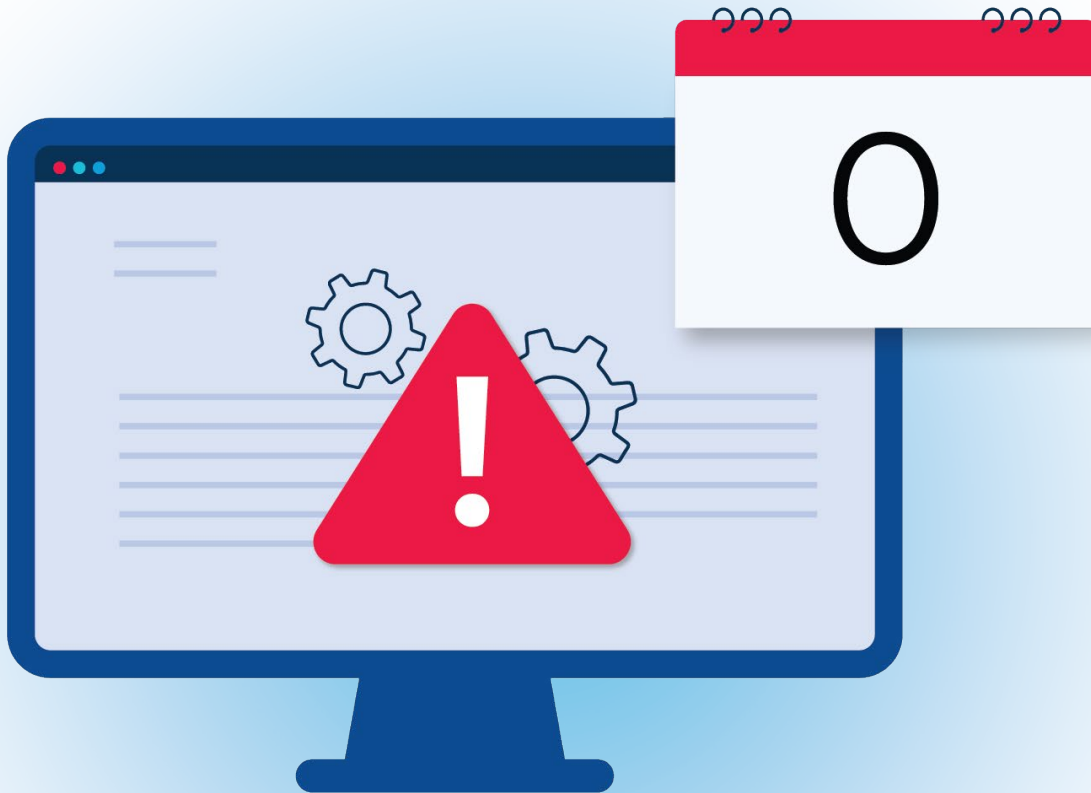
Why is this happening?

Housing demand is high and rental costs are climbing.

This has increased the motivation for some renters to manipulate their application information and income documents to secure housing.

The digitization of rental applications has made it easier than ever to commit fraud and harder to detect. Online applications allow applicants to submit falsified information and documents remotely, making it challenging for property managers to truly verify their authenticity.

The impacts of applicant fraud are severe for multi-family property operators, especially as they contend with rising operational costs and risk factors. Fraudulent applicants can lead to higher eviction rates, lost revenue, higher turnover costs, and reputational damage.
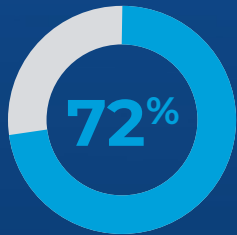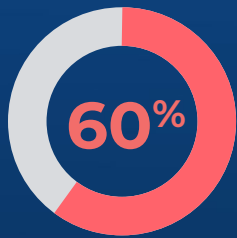
Average eviction cost[8]

$7,500

Average amount of bad debt per property manager due to fraudulent applications[7]

$1.02M

What's important to property managers?

72%

72% of respondents said that applicant fraud is just as much of a problem as it was last year.[5]

60%

Over 60% of respondents ranked security or accuracy as their top priority.[2]

51% of respondents use ID verification to validate IDs, whereas 46% still verify manually — making it easier to fall victim to identity fraud.[6]

46%
Manual Verification

2%
No Verification

51%
Identity Verification
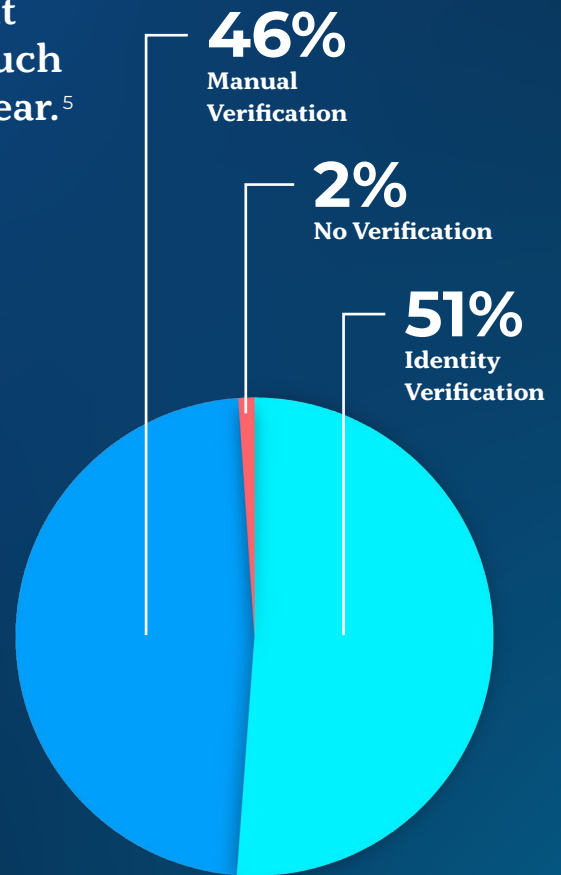
6 hours or less

On average, respondents said the minimum acceptable turnaround time to detect applicant fraud, verify income, and return an income calculation is 6 hours or less.[4]

53% of respondents said they would be willing to sacrifice accuracy for faster turnaround time.[3]

37% said they would not.[3]

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Pitfalls of traditional tenant screening

Here's the thing – tenant screening isn't the same as true fraud detection.

Traditional tenant screening typically includes a credit check and background check, which doesn't indicate if an applicant will commit fraud. It only paints a picture of their past financial and criminal history.

Effective fraud detection relies on advanced algorithms and data analysis to uncover suspicious patterns and anomalies in a document. **Shockingly, only 51% of property managers utilize these methods, leaving the remaining 49% highly exposed to fraud.** Relying solely on tenant screening is not enough—this limited approach leaves property owners at significant risk of falling victim to fraud.

How property owners are currently detecting applicant fraud[1]

Tenant Screening

75%

Manual Review

55%

Fraud Detection Tools

51%

Bank Linking

40%

Payroll Linking

37%

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Solutions

To stay ahead of evolving fraud tactics, organizations must invest in a <u>multi-layer fraud defense system</u>. This involves implementing a multi-step process designed to catch fraud at every level.

Document Fraud Detection

The document fraud detection layer analyzes a document's metadata, checking for edits, manipulations, or forgeries.

Identity Verification

The ID verification layer confirms an applicant is who they claim to be. It should include numerous ID checks and biometric live scans.

Income Verification

Utilize different methods of income verification and calculation to determine and confirm an applicant's income.

Connected Payroll

Easily verify gross income and employment information by giving the applicant the option to connect their payroll provider.

Inception Fraud Check

Inception fraud is when legitimate pay stubs are used for fraudulent purposes. Because these pay stubs are created using recognized payroll providers, inferior fraud detection methods will rule these documents as "clean" or "unedited." The only way to catch this is to be aware of the companies and LLCs that participate in such activities.

Threat List Check

An established fraud detection provider should have a known threat list of users and companies that have a history of committing fraud.

Fraud Forensics Team

Having a team dedicated to catching the latest fraud tactics is crucial to staying on top of fraud trends and building the best defense against fraudsters.
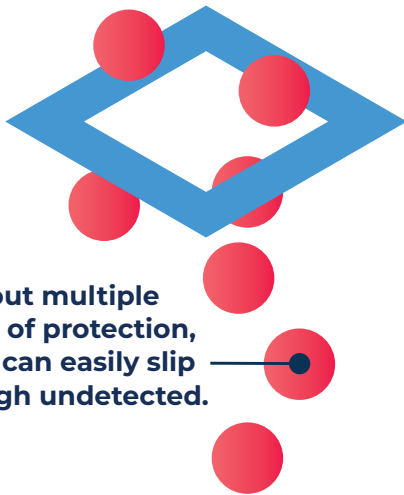
The Snappt Difference

Currently, Snappt is the only solution in the multifamily industry with this many layers of protection for your properties.

With a robust proprietary block list check and the industry's only dedicated fraud forensics team, Snappt is committed to staying ahead of the most devious fraudsters and protecting properties from potential losses and evictions.

Our team of experts has uncovered 800+ documents, DIY templates, and tools that enable bad actors to commit fraud. This level of thoroughness in our fraud detection process sets us apart from other providers and ensures that properties are secure from potential damages.

With Snappt, there is peace of mind knowing that businesses are protected by the most advanced and reliable fraud detection solution on the market.

Other Fraud Detection Solutions

Without multiple layers of protection, fraud can easily slip through undetected.

Snappt

- Document Fraud Detection
- Inception & Payroll Fraud Check
- Threat List Check
- Proactive Fraud Forensics Team

Don't risk using an inadequate or unreliable system – trust Snappt to safeguard your properties. **To learn more about our fraud detection, visit snappt.com.**

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Sources

Snappt Multifamily Property Managers Survey
Sample: 900 property managers of multifamily residences in the United States

1. Respondents shared how they're currently detecting applicant fraud: through tenant screening (74%), using document fraud detection tools (51%), manual review (44%), bank linking (41%), and payroll linking (33%). 4% reported not using any fraud detection.

2. 60% of respondents ranked security or accuracy as their top priority

3. 53% said they would be willing to sacrifice accuracy for faster turnaround time. 37% said they would not.

4. On average, respondents said the minimum acceptable turnaround time to detect applicant fraud, verify income, and return an income calculation is 6 hours.

5. 72% of respondents said applicant fraud is just as much of a problem as last year.

6. 51% use ID verification technology to verify IDs. 46% manually review IDs.

NMHC Pulse Survey on Operational Impact of Rental Application Fraud and Bad Debt

7. The average amount of bad debt per property management company due to fraudulent applications is 1.02 million dollars.

Snappt Internal Data

8. The average cost of an eviction is $7,500.

Learn how Snappt can help you
detect fraud at **snappt.com**

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