Executive Summary

Financial services organizations (FSOs) have long played an important role in confirming the accuracy of assets consumers claim on government benefit applications. By accurately verifying assets, institutions expedite the issuance of government benefits to applicants, which, in turn, improves customer service, and in many cases, enhances the flow of deposits back to the FSO.

Perhaps even more importantly, by performing these searches, FSOs help reduce fraud losses in government programs.

The financial services industry is committed to reducing fraud, but conducting asset searches requires FSOs to devote significant manpower to a largely manual and inefficient process. It is a process that usually falls on the already-overloaded deposit operations department within an institution and the requests come from a variety of agencies in a variety of methods — e-mails, phone calls and even faxes — meaning FSOs must dedicate staffs of multi-taskers to keep up with the demand.

And the demand has dramatically increased since 2009 when sweeping legislation aimed at reducing government benefit fraud was introduced. The legislation called for greater due diligence in confirming applicant eligibility and it increased the flow of inquiries sent to FSOs. (Some FSOs report processing 200 percent more asset inquiries now than they did prior to 2009.)

Now, with the Affordable Care Act (ACA) in full swing, FSOs are gearing up for even higher anticipated volumes of asset search requests.

Some FSOs have turned to third party service providers to help, but the challenge is to find service providers that can be entrusted with sensitive customer data. In a time when data breaches are far-too common and regulatory oversight high, FSOs must work with only service providers that share their commitment to data protection.

In light of the increasing volumes of asset verification requests and ongoing concerns about data protection, this white paper serves as an alert to the industry that a proven, cost-effective solution is available. Although relatively new to the marketplace, several major FSOs already attest to its effectiveness in cutting costs, increasing efficiencies and ensuring that data remains safeguarded.
As Fraud Climbs, So Climbs the Need for Better Due Diligence

Improper payments in two key government programs costs taxpayers more than $70 billion dollars each year. Consider the following:

- The Social Security Administration (SSA) estimates $8 billion of its annual payments go toward improper payments;¹
- The Centers for Medicare & Medicaid Services report improper payments in these two programs cost more than $64.8 billion every year.²

In 2009, in order to stem these losses and reign in government deficits, lawmakers began demanding more rigorous background checks on applicants of government benefit programs. As a result, FSOs saw a steady climb in the volume of asset inquiries processed on behalf of federal and state agencies.

This increase in volume was not a surprise to FSOs. For instance, a 2010 memo from the SSA alerted FSOs to a coming wave of Supplemental Security Income (SSI) asset inquiries. “Anticipate a 25 to 50 percent increase in volume,”³ read the memo. “Large to mid-size [FSOs] should expect an even higher increase in volume.” But — in many cases — the actual increases proved to be much higher than what was forecast.

One top-five FSO told Early Warning that between 2009 and 2013 it saw a 300 percent increase in SSI-related searches. That growth trend continues: Another mid-size bank reports its monthly SSI-related inquiries have jumped from less than 7,000 (a year ago) to nearly 15,000 now.

The volumes are expected to continue expanding. According to the SSA, in the coming years there will be more than 10 million monthly SSI recipients (versus the 8.1 million people currently receiving monthly SSI benefits)⁴ — all of which will require thorough asset reviews.

These increases are not unique to SSI requests. Medicaid-related asset inquiries are also expected to grow in the near-term.

This is because the ACA has significantly increased the likelihood that individual states will expand their Medicaid coverage in the years to come. It is unclear how many new names will ultimately be added to Medicaid rolls, but one study predicts between 5.7 million and 21.3 million new enrollees in less than a decade,⁵ and several states — including Washington, Maryland and Kentucky — were signing up tens of thousands of new Medicaid enrollees within weeks of ACA rolling out.⁶

The Risk of “Business as Usual”

FSOs have a long history of supporting government agencies (and other financial institutions) in confirming information claimed on applications. It can be cumbersome. Early Warning’s research shows it is not uncommon for it to take up to two weeks to verify information claimed on applications. Requests are submitted to FSOs from a variety of agencies, requiring different forms, different submission methods and different responses. They all require staff to scour databases and verify information.

¹ Paymentaccuracy.gov
² Paymentaccuracy.gov
³ Social Security Administration memo, March 17, 2010.
⁴ Social Security Administration figures as of 2013.
using names, addresses and Social Security numbers. Additionally, many agencies submit their requests to the FSOs via geographic algorithm models, meaning, often, the submissions amount to “educated guesses” on the part of the agency with no guaranteed results. But — even if the inquiry is sent to the correct FSO — in most cases, the institution can only confirm assets within its own jurisdiction.

To meet the growing demand of inquiries and expedite the process, some FSOs now work with third-party service providers to help with the volume of asset inquiries, but this comes with risk as well.

Working with a third-party service provider makes sense. The data-sets the financial services industry must now capture, process, store, search, share and analyze have become increasingly complex and vast; working with service providers can help manage this flood of information.

Outsourcing services and data to untested service providers can inadvertently open an FSO to unintended risk. That risk grows substantially if the untested service provider works with other vendors, meaning there is a possibility that the data moves “downstream” and further away from the oversight of the FSO.

In 2012, the Consumer Financial Protection Bureau (CFPB) made its position regarding the use of service providers clear. The CFPB determined it is “often an appropriate business decision,” but that decision does not “absolve the … bank or nonbank of the responsibility for complying with Federal consumer financial law to avoid consumer harm.” In other words, should a service provider inadvertently leak sensitive customer data or cause a breach, the FSO is still accountable in eyes of the CFPB (as well as privacy advocates, regulators, law enforcement officials and consumers).

The challenge for FSOs seeking help in processing the flow of asset search inquiries is to find proven service providers that can be trusted with their sensitive customer data.

**The Early WarningSM Solution**

In 2011, Early Warning introduced an advanced solution that not only automated the asset search process, but did so while making the procedure more secure and cost-effective.

Early Warning’s Asset Search and VerificationSM Service (ASVSM) transformed a manual process that once took days to complete into an automated-solution that enables agencies and FSOs to perform a single inquiry against a nationwide, cross-industry database and quickly generate a comprehensive response. Equally important, ASV does this while ensuring proprietary customer data remains protected.

This is because for more than 20 years, Early Warning has been facilitating a collaborative and trusted exchange of information between FSOs of all sizes to fight fraud and manage risk in the financial system. Early Warning is owned by five of the largest FSOs in the U.S. — Bank of America, BB&T, Capital One, JP Morgan Chase and Wells Fargo — and is overseen by a Management Committee comprised of 21 risk executives representing 15 U.S. FSOs. Our information network draws on the contributions of nearly 500 FSOs, including the country’s top-25 banks. Just as important: Early Warning operates in accordance with the Fair Credit Reporting Act (FCRA) and the Gramm-Leach-Bliley Act (GLBA).

When an institution performs an inquiry using Early Warning, it means the FSO is searching the industry’s most up-to-date, trusted and accurate cross-industry resource

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one that helps institutions across the country fight fraud, remain compliant and improve the customer experience.

So far, the country’s top FSOs have adopted ASV as their primary resource to meet the many government inquiries they process each day and their feedback confirms similar outcomes:

- Government asset searches completed faster;
- Industry-wide results from a single inquiry;
- Reduced costs (one FSO estimates ASV saved their institution $2.5 million annually in processing and manpower costs);
- Enhanced data protection by using a trusted and proven financial industry partner;
- Improved customer service and expedited deposits.

“Prior to adopting ASV, we budgeted for 178 full-time employees to fulfill the requests we were getting,” reported one bank executive. “Since using ASV, we’ve determined only one full-time employee is needed to manage our entire bank’s request volume.”

The executive also said ASV has helped his institution significantly reduce the amount of time it takes to complete the requests — moving from its previous average of 15-days to turning them around in a single day on average.

Another executive, from a mid-size FSO, reported similar results when his institution adopted ASV. After using ASV for six months, he told us, “We’ve benefited through substantial cost avoidance, but beyond the financial considerations, Early Warning fulfills the requests with reliability, accuracy and timeliness,” he said.

These FSOs report the value of their data — which they contribute to Early Warning by using ASV — has also been enhanced. Not only do their data contributions increase the effectiveness of ASV, but also the effectiveness of other Early Warning fraud solutions they rely on — meaning they are helping reduce fraud across the industry.

**Conclusion**

In the last five years, the number of government asset inquiries FSOs are asked to process has increased by as much as 300 percent in some cases. And — as the ACA triggers a significant expansion of Medicaid — those volumes will only increase.

This trend promises two outcomes:

- FSOs will continue to bear the cost of processing these applications;
- Fraudsters will continue to seek-out and exploit gaps in government programs.

It’s a vicious cycle: As lawmakers seek to close those gaps and turn off the spigot of government fraud, they depend more and more on FSOs to confirm assets claimed (or overlooked) on benefits applications are accurate. This means the volumes of asset inquiries they send to FSOs will only increase.

FSO resources are already stretched thin. In order to keep pace with the ever-increasing volume of asset search requests, FSOs must find a solution that offers …

- Faster response times to government requests;
- Improved cost-savings and reduced manpower demands;

"We’ve benefited through substantial cost avoidance, but beyond the financial considerations, Early Warning fulfills the requests with reliability, accuracy and timeliness.”

— Executive from Mid-size Bank
Responses reflecting cross-industry findings to single inquiries;
Reduced risk to your institution’s data;
Expedited benefits that improve customer satisfaction.
Such a solution is available right now.

Several independent value tests confirm that Early Warning’s Asset Search and Verification Service delivers on all of these components and more. ASV provides a collaborative, trusted solution that not only protects proprietary information, but also helps your institution save money, free up personnel and respond more quickly and efficiently to the increasing volumes of government asset inquiries.

For more information, visit EarlyWarning.com or contact an Early Warning Account Manager at 1-855-589-7541.

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About Early Warning
For more than two decades, Early Warning Services LLC has created actionable intelligence to help financial organizations fight fraud, isolate and manage risk, and remain compliant to protect the entire financial system. The company is owned by Bank of America, BB&T, Capital One, JPMorgan Chase and Wells Fargo, but works with financial institutions of all sizes as well as with government agencies, payment processors and check acceptance companies. Early Warning offers a unique view of the financial system that enables clients to manage risk and take appropriate action at the earliest point of detection. For more information, visit EarlyWarning.com.