

RISK Alert

ACTIONABLE INSIGHTS FOR BOND POLICYHOLDERS.



Alert Type

Awareness

Watch

Warning

VIN Cloning Results in Loan Losses

Vehicle, or VIN, cloning schemes have caused loan losses in several credit unions recently. Members have been victimized by unknowingly purchasing stolen vehicles funded with credit union loans. Authorities seize the stolen vehicles upon discovery and eventually return them to their rightful owners, leaving the member with no vehicle and an unsecured loan – putting the credit union at risk for receiving payments.

Details

Vehicle cloning is a sophisticated crime that involves criminals gathering legitimate vehicle identification numbers (VINs) from legitimately registered vehicles from parking lots, dealerships, and even on the streets. They take a digital photo of the VIN plates under the windshield (some VINs are located on the pillar of the driver's side doors), then create counterfeit VIN plates for stolen vehicles illegally sold.

The stolen vehicles are typically the same model, year, and often-times color. The counterfeit VIN plates are used to replace the stolen vehicles original plates. In some cases, the criminals grind out the VIN stamp on the engines of the stolen vehicles and re-stamp with the legitimate vehicles' VINs.

Authorities will seize the stolen vehicles upon discovery and eventually return them to their rightful owners, leaving the innocent member with no vehicle and an unsecured loan. When members are scammed through car cloning, they are still liable to make payments for the credit union loan.

If the member doesn't pay, then the credit union must turn to default management and collections for an unsecured loan. Unfortunately, the member does not have much recourse, if any, unless the criminals are caught. In most situations, victims almost never recover financially and are left to settle these disputes in civil court.

A National Crime Prevention Council report states that as many as 225,000 stolen cars each year are subjects of VIN cloning. In fact, since 2001, VIN cloning has accounted for approximately \$36 million in fraudulent vehicle transactions.

According to the National Insurance Crime Bureau, criminals can perpetrate car cloning for less than a couple thousand dollars using a computer, printer, barcode label printer, rotary tool and engraving pen. The relatively low cost of these tools makes it lucrative to clone luxury vehicles even with the stolen vehicles sold at lower-than-market prices.

These bad actors also often falsify required documents for governmental agencies. This makes it extremely critical to carefully review VINs, vehicle history, and other documentation for mismatched information.

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Risk Category: Loan Fraud; Scams, Fraud; Consumer Lending; Collections; Default Management

States: All

Share with:

- Collections
- Executive Management
- Loan Manager
- Loan Staff
- Risk Manager



Facing risk challenges?

[Schedule](#) a free personalized discussion with a Risk Consultant to learn more about managing risk.

Risk Mitigation

Credit unions should consider these loss controls:

- Check the VIN with your State's appropriate government agency.
- Check the VIN via the National Insurance Crime Bureau's website: [VINCheck® Lookup](#) | National Insurance Crime Bureau (nicb.org).
- Utilize a vehicle history report service such as CARFAX or AutoCheck to review vehicle history.
- Encourage members to obtain the VIN prior to meeting with the seller so it can be checked across stolen vehicle databases. Additionally, carefully review the ownership documents, and check to see the VIN's match or are not altered in any places on the vehicle.
- Educate members purchasing vehicles to check the VIN plate for alterations, or unusual attachment hardware prior to finalizing the purchase. Inspect engine block stamped VIN's for evidence of grinding and alterations or unusual attachment if the engine block has a VIN plate vs. being stamped. If possible, engage a professional vehicle inspection.
- Review collateral and loan documents – e.g., registration, title records - for mismatched information.

Risk Prevention Resources

Access CUNA Mutual Group's [Protection Resource Center](#) at [cunamutual.com](#) for exclusive risk and compliance resources to assist with your loss control efforts. The Protection Resource Center requires a User ID and password.

- [National Motor Vehicle Titling Information System](#) (NMVTIS)
- If researching a boat, visit [BoatHistoryReport.com](#) (an additional charge will apply to purchase a report)



Access the Protection Resource Center for exclusive resources:

- [Loss Prevention Library](#) for resources & checklists
- [Webinars and Education](#)
- [RISK Alerts Library](#)
- [Report a RISK Alert](#)

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