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Combatting the Rise in Lending Fraud with AI and Data Sharing

Insights from a Celent Survey on Fraud in US Consumer Lending

Craig Focardi

April 29, 2026

A part of GlobalData

This lending fraud trends and technology report was commissioned by Zest AI, which asked Celent to design and execute a Celent study on its behalf. The analysis and conclusions are Celent's alone, and Zest AI had no editorial control over report contents. Reprint granted to Zest AI. For more information, please contact Celent at info@celent.com).

Closing the Gap in Fraud: Real-Time Integration and Shared Intelligence

Sean Kamkar
Chief Technology Officer
Zest AI

Fraud in consumer lending is rising rapidly and becoming more difficult to detect. As shown in this study by Celent, 82% of lenders reported increased fraud losses, with 37% experiencing double-digit growth. At the same time, 64% of institutions say their fraud technology is not keeping pace, signaling a growing disconnect between the scale of the threat and the effectiveness of current defenses.

Treating fraud as a front-end checkpoint, separate from credit decisioning, is no longer sufficient. Synthetic identities, AI-generated documents, and coordinated loan application activity now closely resemble legitimate borrower behavior, designed to pass traditional verification checks and get funded before risk is detected. With 93% of lenders linking fraud directly to credit losses, fraud risk must be integrated into credit decisioning and portfolio management.

Despite this, many institutions are responding in ways that do not fully address the problem. Seventy percent of lenders are increasing fraud staffing, often to manage rising volumes of manual reviews. While 75% are also increasing investment in fraud technology, adoption of advanced capabilities remains limited. Fewer than one-third of lenders currently use AI-based fraud models, alternative data, or consortium-based intelligence, leaving a gap between investment intent and operational reality. Yet awareness isn't translating into action: 73% of lenders believe fraud data-sharing consortiums benefit the industry, yet only 34% participate.

These dynamics point to a broader maturity divide across the industry. Some lenders continue to rely on rules-based systems, siloed workflows, and post-underwriting fraud checks. Others are beginning to move toward more integrated approaches by embedding fraud signals directly into credit decisioning, applying AI to detect patterns at scale, and leveraging shared data to identify coordinated fraud activity.

Rising fraud losses, combined with increased reliance on manual processes, are putting pressure on margins, slowing decisioning. As fraud becomes more sophisticated, legacy approaches will fall further behind.

The bottom line

Responding to this shift requires a fundamental change in how fraud is detected and managed. The next phase of fraud detection will be defined by integrated decisioning frameworks that bring together fraud risk, credit risk, AI-driven analytics, and shared industry intelligence in real time. Institutions that make this transition will be better positioned to reduce losses, control operating costs, and compete effectively in an increasingly digital lending environment.

ABOUT ZEST AI

A pioneer in the field, Zest AI has been innovating and perfecting AI lending technology since 2009.

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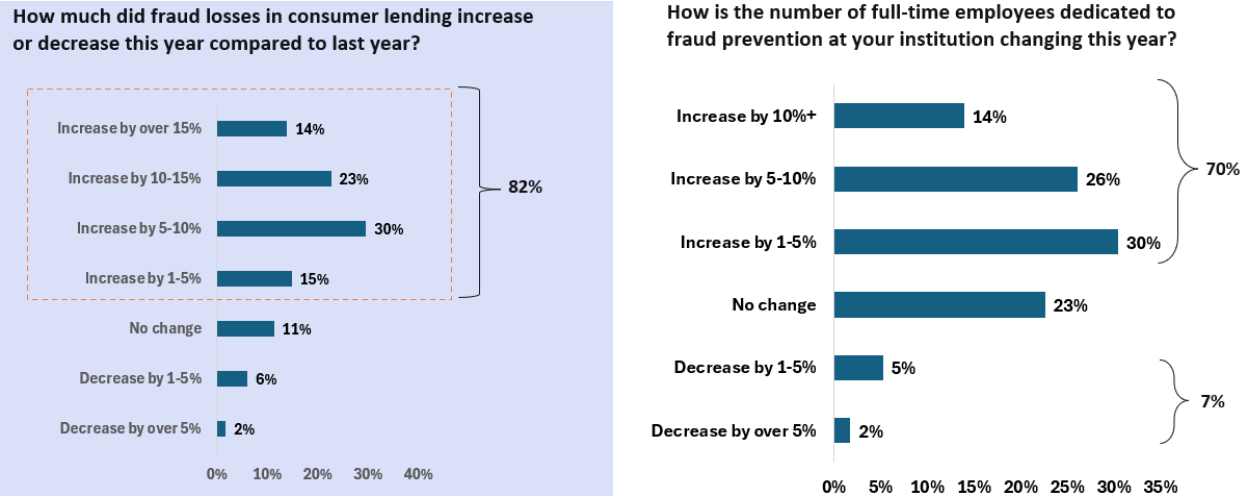
Executive Summary

The rise of lending fraud rates in 2026 is not a temporary spike, it is a structural shift caused by generative AI-enabled document fraud. Many lenders are not prepared to combat it. Fraud risk and losses are embedded in credit losses that occur long after the fraudster receives the loan funds. Therefore, weak fraud prevention processes and technology can cause losses for years to come. Celent believes that fraud risk is not only the fastest growing lending risk in 2026, it could lead to an existential crisis in the lending business if poorly managed.

Celent conducted a survey about fraud prevention management, staffing, automation, credit decisioning, and technology investment as the basis for this analysis. The survey and analysis provides insights into the business challenges, operational pain points, losses, and technology that lenders use to manage fraud in consumer loan origination. Figure 1 homes in on two main challenges: fraud losses have increased significantly in 2026 and lenders are adding fraud staff at a high rate to combat it.

Figure 1: Eighty-two Percent of Lenders Say That Fraud Losses are on the Rise in 2026



Base: US financial institutions consumer lending (sample: 106)

Question: Q3: How much did fraud losses in consumer lending increase or decrease this year compared to last year?

Q11: How do you expect your technology investment in fraud technology for consumer lending to change in 2026 as compared to 2025?

Note: details may not add to totals due to rounding

Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

Celent's Takeaways

- Fraud in consumer lending is rapidly increasing, with 82% of lenders reporting higher losses in 2026.
- Manual fraud review is no longer sustainable as attack sophistication rises and bypasses traditional controls.
- AI is both enabling fraudsters and becoming essential for detection.
- Fraud and credit risk are now inseparable—fraud directly contributes to portfolio losses.
- Data-sharing consortiums may be the most underutilized weapon against coordinated fraud rings.
- While 75% of institutions are increasing fraud technology spending, the adoption of advanced tools such as AI and data-sharing systems remains limited.

Celent's Recommendations

1. **Prioritize Data Quality Before Adding New Tools:** Focus on clean, accurate, and up-to-date data first. Strong data foundations improve fraud detection more than layering new tools on poor inputs.
2. **Integrate Fraud Scoring into Underwriting Decisions:** Combine fraud risk with credit risk in one system. This leads to better lending decisions and improved portfolio performance.
3. **Automate Routine Fraud Reviews:** Use automation for simple, repetitive checks to increase speed and consistency, freeing up teams to handle complex cases.
4. **Participate in Fraud Consortiums Early:** Join data-sharing networks to access broader fraud insights. Collective intelligence helps detect patterns no single lender can see alone.
5. **Add AI-based Fraud Prevention Tools:** Leverage AI to detect sophisticated fraud patterns, but ensure it's supported by strong data, governance, and human oversight.

What Do These Trends Mean for the Future of Consumer Lending?

The next phase of competitive advantage will come not from isolated tools but from integrated decisioning ecosystems that combine fraud detection, credit risk analytics, AI-driven automation, and shared industry intelligence. Institutions that embed fraud intelligence directly into loan origination will move faster, approve more legitimate borrowers, and protect portfolio performance more effectively. Those that maintain fragmented approaches may find fraud costs rising faster than growth.

Introduction

Celent conducted a survey on fraud in lending to help lenders identify ways they could improve their fraud management policies, processes, and technology. We examined the growing threat of AI-based fraud and AI fraud analytics as a solution. We surveyed a diverse group of US lenders across fraud and fraud related roles in the lending organization.

Research Objectives

This survey was undertaken to Identify lender challenges with fraud: external market drivers of fraud, new AI-enabled types of fraud, new fraud data and AI/analytic capabilities, IT spending plans, and competitor benchmarking. We tested the hypothesis that the fraud threat is growing due to AI and that lenders need new data analytic tools and process changes to adapt.

Research Approach

Celent surveyed 115 US lenders during the first quarter of 2026. This survey targets respondents by institution type, institution size, and employee roles within those firms to obtain precise answers to specific questions about lending fraud.

Survey questions vary, but often focus on business and technology pain points, external market drivers that impact the technology category, IT spending plans, and competitor benchmarking. We asked a variety of questions across the following categories to test our hypotheses:

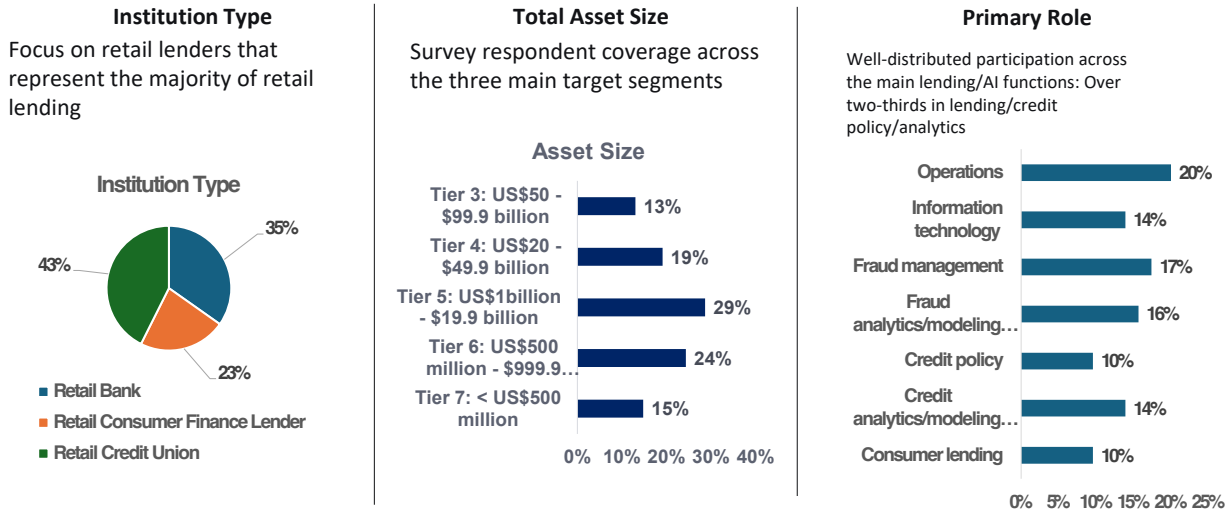
- Is fraud increasing or decreasing, and why?
- Fraud costs: how much more are you spending on fraud staffing and IT spending?
- What technology challenges are driving your investment in fraud prevention? What tools are you using for fraud detection?
- Competition: are you ahead or behind the competition with fraud IT usage and fraud prevention?
- Fraud losses: what percentage of your organization's total credit losses are attributed to fraud?
- AI: where do you use artificial intelligence fraud technologies today?
- Fraud data consortiums: does your institution share fraud data with any consortium?

Celent surveys financial institutions (FIs) of many types and sizes to obtain results representative of the total market and to analyze survey responses by industry segment. For example:

- The IT budgets and in-house expertise to implement new technology projects are higher for large banks relative to community banks.
- Credit unions are typically smaller and may be less sophisticated technologically than large banks, although they also share expertise through credit union service organizations (CUSOs).
- Finally, results may vary by channel: non-bank, consumer finance lenders are often digital only lenders and may have higher technology adoption rates.

Figure 2 shows that the types of financial institutions (credit unions [43%], banks [35%], and nonbank lenders [23%]) were diverse, as were the size of the institutions, from less than $500 million in total assets up to $100 billion.

Figure 2: Diverse Survey Participants by Institution Type, Asset Size, and Consumer Loan Portfolio Size



Base: US financial institutions in consumer lending (sample: 115)

Question: What is your institution type? Your total asset size? Your consumer loan portfolio size?
Note: details may not add to totals due to rounding

Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

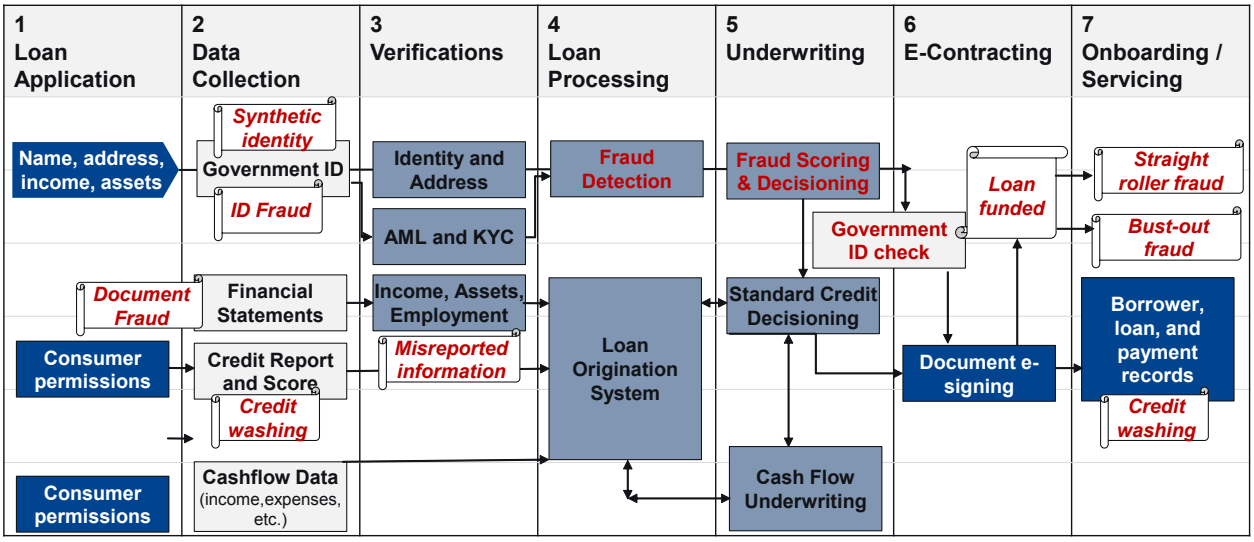
We also surveyed respondents by role, position, and level of involvement in consumer loan origination. Celent surveyed senior executives, managers, and processing staff responsible for fraud, credit, analytics, technology, operations, and compliance. These experts shared details of their firm's fraud prevention strategy, business challenges, technology, operations, and fraud IT spending.

Types of Fraud Across Lending

Lending fraud occurs when borrowers intentionally provide false or manipulated information during the application process to obtain credit they would not otherwise qualify for or to obtain funds without intending to repay.

Figure 3 and the following definitions for specific types of fraud are meant to create a consistent baseline of understanding of types of fraud *in a consumer loan origination context* for while reading this report. It is important to note that AI is increasingly used within these types of fraud types. AI is used to create highly realistic synthetic identities, fabricate documents, and to create convincing impersonations designed to deceive both automated and human verification systems.

Figure 3: Major Types of Fraud in Consumer Loan Origination and Servicing



Source: Celent

Identity Fraud: fake identity, bust out, straight roller. Impersonate someone else.

- **Straight-roller fraud:** loan applicant has no intent to pay, submits fraudulent information, and never makes a single payment during the first 30-60-90 days.
- **Bust-out fraud:** loan applicant submits fake employer information and "credit washing" as key tactics, with the intent to max out a credit limit by starting with normal spending and repayments, followed by an abrupt maxing out of a credit limit.

Misreported Income: false income and financial asset documentation.

Credit Washing: a fraudulent practice of artificially cleaning up a credit report by disputing and getting accurate negative information (like late payments or charge-offs) removed, often through false identity theft claims.

Document Fraud: tampered documents, AI-generated documents, mismatches between data on documents and data submitted online.

Synthetic Identity Fraud: creating a fake identity by combining real and fake personal details, often using a legitimate Social Security Number (SSN) with a fabricated name, address, and birthdate, typically building a credit history before "busting out" with maxed-out credit lines - may be created by AI.

Document imaging/data extraction: optical character recognition (OCR), RPA, or automatic content recognition (ACR) in loan document processing refers to the use of technology to automatically identify and extract information from documents.

While there are various risks to a lender's bottom line, *credit risk is the largest*. Credit risk is the possibility that a borrower will fail to pay back the principal and/or the interest on a loan. Credit risk assumes the borrower wants to pay but might not be able to. If the borrower defaults, the loss frequency is usually relatively low and the loss severity is relatively easy to predict.

Fraud risk involves either loan applicant who provides fraudulent information with intent to pay back, or a loan applicant (or an imposter) who has zero intention of ever paying back the loan. If the fraud is not caught, the loss frequency and loss severity are very high. Moreover*, fraud risk is harder to model and predict in advance and is increasingly driven by advanced AI.*

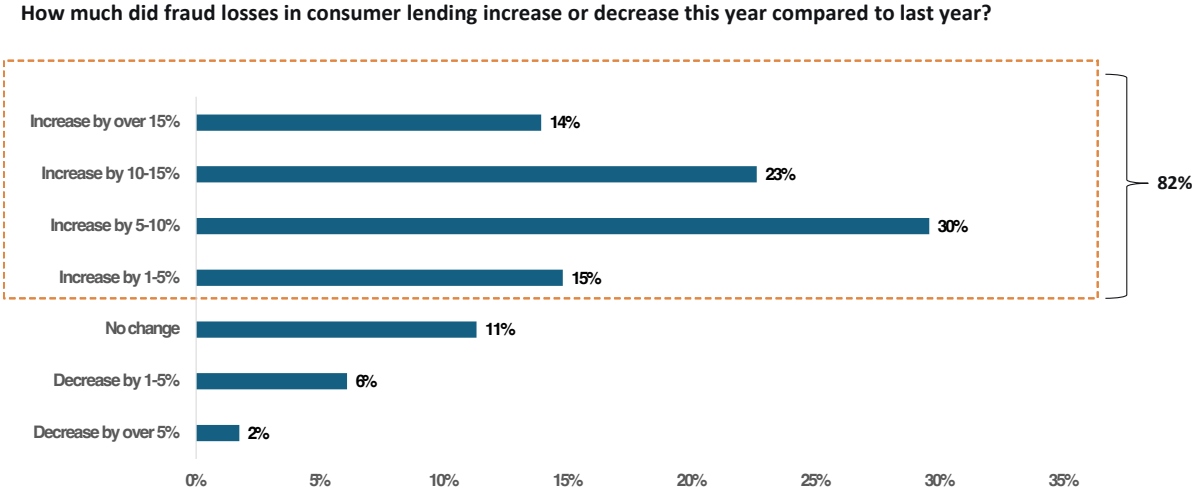
Why is Lending Fraud Rising So Quickly?

Fraud is growing in many areas of banking in addition to consumer lending. Fraud risk is the most unpredictable risk threat and has become the fastest-growing risk to lenders in 2026. A weaker economy, new AI technologies that create new types of fraud, and weaknesses in lender fraud management and technology contribute to fraud. Understanding the dynamics and details of these fraud drivers is the first step towards combating it.

Lending Fraud is Rampant

Figure 4 highlights the extent to which fraud is escalating across US consumer lending. Eighty-two percent of lenders experienced growth in fraud losses, with 37% experiencing double-digit fraud loss increases in percentage terms.

Figure 4: Fraud Losses are Increasing Rapidly at Many Lenders in 2026



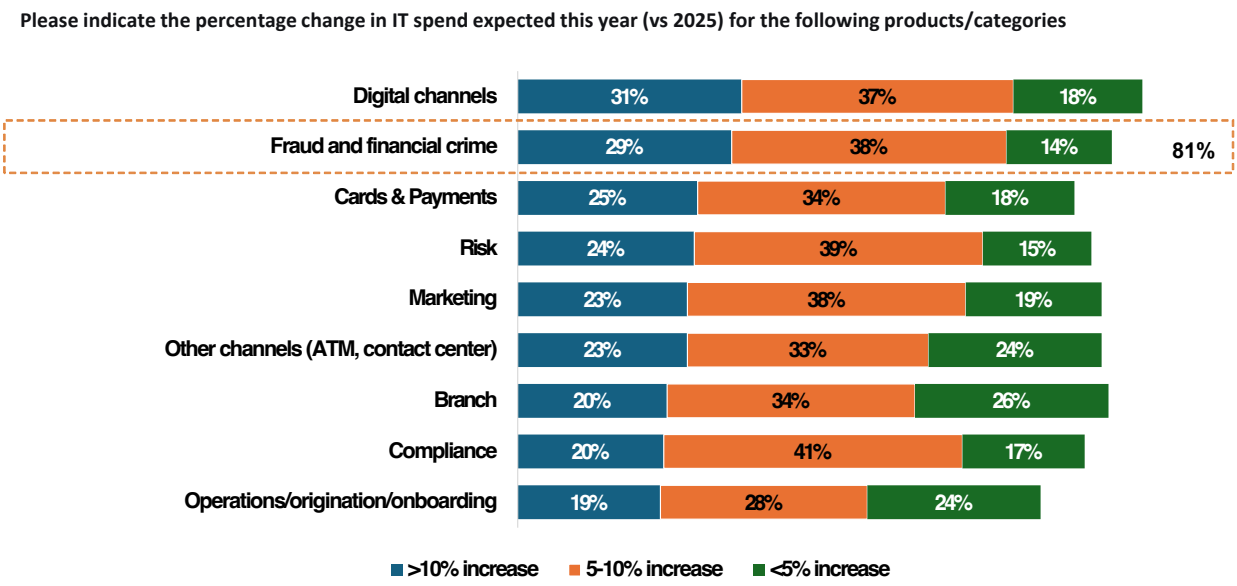
Base: US financial institutions in consumer lending (sample: 115)
Question: Q3: How much did fraud losses in consumer lending increase or decrease this year compared to last year?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

Only 19% have no change or decreases in fraud losses. This may indicate greater success at managing fraud, possibly due to better policies, processes, and systems to combat new types of fraud.

Lenders are Investing in Fraud Management and AI Technology

Figure 5 (from Celent's Dimensions: Retail Banking IT Pressures & Priorities 2026 report), shows the highest priority IT spending categories for products, technologies, and processes. Eighty-one percent of survey respondents are increasing fraud IT spend in 2026, ranking second highest among products/ categories surveyed.

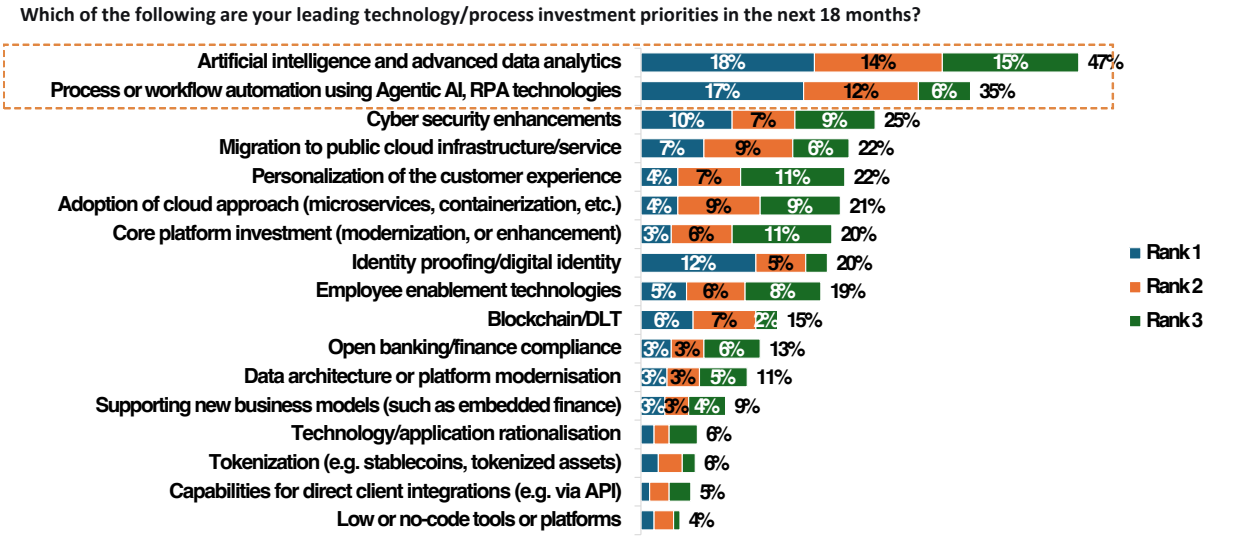
Figure 5: Eighty-one Percent of Respondents are Increasing IT Spending for Fraud and Financial Crime



Base: All retail banking respondents (sample: 216)
Question: TQ6: Please indicate the percentage change in IT spend expected this year (vs. 2025) for the following products
Question: TQ13: Which of the following are your leading technology/process investment priorities in the next 18 months?
Note: details may not add to totals due to rounding
Source: Celent Dimensions: Retail Banking IT Pressures & Priorities 2026, March 2026

Figure 6 shows the leading technology/process investment priorities for 2026 and 18 months forward. AI/advanced data analytics is the leading technology investment priority for retail banks in 2026, continuing the top position it had in 2025, although it has fallen slightly as a priority (53% in 2025). This decline is less a reflection of reduced importance, but more a sign of growing maturity in approach moving beyond the hype stage seen in 2025.

Figure 6: AI, Advanced Analytics, Agentic AI, and RPA are Banks' Top Investment Priorities in 2026



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Note: details may not add to totals due to rounding
Source: Celent Dimensions: Retail Banking IT Pressures & Priorities 2026, March 2026

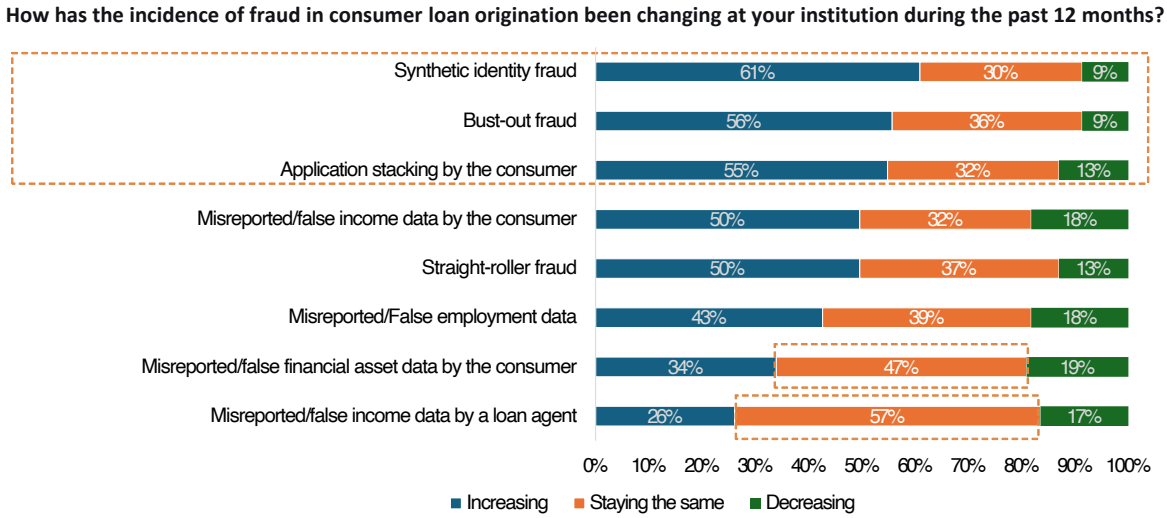
Process or workflow automation using agentic AI was the second highest investment priority and rose from 27% of retail banks in 2025 to 35% in 2026. Agentic AI can help lenders automate fraud analytics, integrate fraud analytics with credit decisioning analytics, and keep humans in the loop.

Lenders who increase IT spending for fraud prevention and AI show will better defend themselves against fraudsters, who seek and penetrate lenders with the weakest defenses. This is also critical because fraudsters themselves are increasingly using advanced AI in their attacks.

Consumers are Stacking Loans and Using AI to Commit Fraud

Figure 7 pinpoints where different types of fraud are increasing. The top three types of fraud being committed by consumers are synthetic identity fraud, bust-out fraud, and application stacking.

Figure 7: Consumers are Sending Loan Applications to Multiple Lenders, Enabled by AI



Base: US financial institutions in consumer lending (sample: 115)
Question: Q1: How has the incidence of fraud in consumer loan origination for these types of fraud) been changing at your institution during the past 12 months?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

Fraudsters are no longer relying on simple identity theft. Instead, lenders are facing:

- Synthetic identity fraud constructed from blended real and fabricated data
- Loan application stacking by consumers across multiple lenders simultaneously
- Sophisticated income and employment misrepresentation
- AI-assisted attacks designed to bypass traditional verification controls

It is important to note that these fraud types are linked, meaning one type of fraud can lead to another. For example, loan application stacking may be enabled by synthetic identity fraud, and it can lead to the next stage of fraud in the lending process. After the consumer receives the loan, they may commit bust-out fraud or straight roller fraud as part of their overall fraud strategy.

The misreporting of income and financial asset data by consumers and loan agents is also noteworthy. They are increasing the least, which is positive and may indicate better validation of these information sources by some lenders. However, many lenders indicate that this type of fraud is staying the same, suggesting that it remains a problem and merits further attention.

> First-party fraud is rising due to economic pressures on consumers, fraud networks, and AI tools that make it easier for consumers to misrepresent identity, income, or intent without immediate detection. Moreover, many lenders still treat fraud detection as a separate checkpoint that occurs alongside—or after—credit underwriting. That separation has become increasingly ineffective.
>
> Craig Focardi, Celent

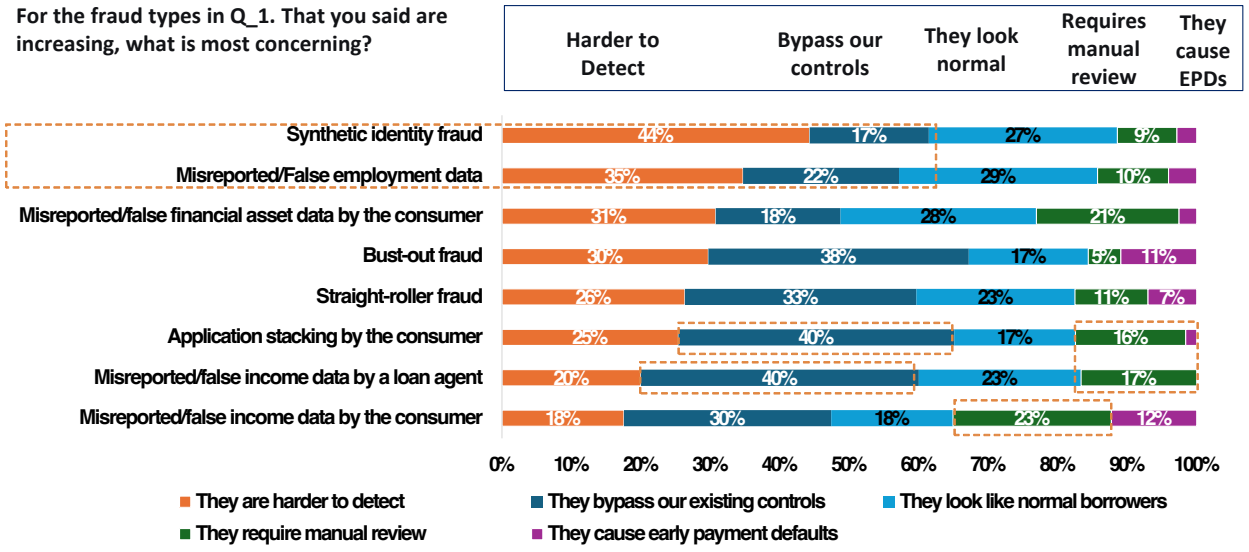
Why are Traditional Fraud Controls Failing?

We've seen that fraud is rising and is becoming more sophisticated and harder for lenders to detect. But *why* is fraud harder to detect, and why are fraud controls not catching it? Do lenders check for fraud separately from credit analysis, or with it, and what is the role of technology in solving this problem? Many lenders still treat fraud detection as a separate checkpoint that occurs alongside—or after—credit underwriting. That separation has become increasingly ineffective.

Synthetic Identity Fraud is Rising

These fraud threats expose a new reality: traditional fraud detection models were built for yesterday's fraud environment, not today's. Figure 8 details five operational and technology challenges lenders are having with each type of fraud. These challenges overlap intentionally to see the different response rates and explain why fraud is surging.

Figure 8: Fraud is Bypassing Lenders' Existing Controls, and is Becoming Increasingly Difficult to Detect



Base: US financial institutions in consumer lending (sample: 115)
Question: Q2: For the fraud types in Q_1. That you said are increasing, what is most concerning about them?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

The biggest challenge lenders are having is that fraud has become harder to detect. This varies for the type of fraud but is highest for synthetic identity fraud and misreported employment and financial asset data. Celent believes that the main reason is the use of AI to falsify loan applicant identity documents and income, bank statement, and employment verification documents. As a result, the loan application and customer look normal so lenders approve the loan. For these reasons, *Celent believes that AI tools are making it easier to create fake identities, employment/income documentation, and bank statements.*

These more sophisticated types of fraud are not only increasing fraud losses, *they are also increasing operational costs due to increased manual reviews*, which are highest for misreported/false income data by the consumer, misreported/false income by the loan agent, and application stacking. While most fraud is initiated by the loan applicant, it is important to note for loans sold through wholesale (indirect or intermediary) channels that loan agents (e.g., an auto dealership finance manager) are a source of fraud and financially motivated to complete and sale and receive their agent/broker commission. They may commit fraud with or without the loan applicant's knowledge.

Fraud Prevention IT Adoption is Not Keeping Up with AI

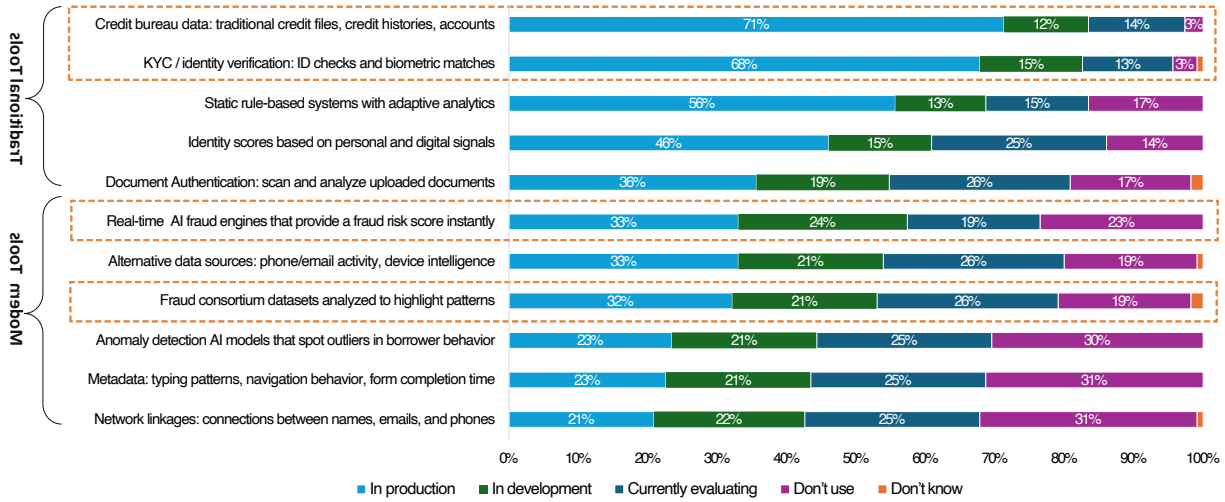
Fraudster innovation comes from more sophisticated processes, misreporting more data, and using technology advances for the different types of fraud. This research shows that fraudsters are innovating faster than many lenders, and that lender fraud prevention technology investment needs to increase.

These fraud threats expose a new reality: traditional fraud detection models were built for yesterday's fraud environment, not today's. *Celent believes that AI tools are making it easier to create fake identities, employment/income documentation, and bank statements.*

Figure 9 depicts the technology adoption levels for many types of lender fraud detection data sources, analytics, and systems. Not surprisingly, credit bureau data is the leading source of data for fraud

detection because it is proven, FCRA[1] compliant, and mostly accurate. Second, KYC/AML[2] identity verification has the second highest adoption rate, due to regulations that mandate compliance across many types of account origination. Third, static rules-based systems that are highly effective and structured but are limited by their structure that doesn't enable integration of AI. Finally, identity scores and document digitization and authentication (image scanning, RPA) are growing in use.

Figure 9: Fewer Than a Third of Lenders Use Modern Tools to Improve Fraud Detection



Base: US financial institutions in consumer lending (sample: 115)
Question: Q9: What tools are you using for fraud detection?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

These traditional data, analytic, and software tools have the highest adoption rates. However, credit bureaus have a wealth of data that meet regulatory compliance requirements, and KYC/AML checks are mandated by regulation. Lenders need to expand their discretionary IT investment to new tools that can reduce fraud today and that someday may be regulated and mandated for lender use.

These tools are necessary, and effective, but not sufficient, to catch AI-driven fraud. Conversely, adoption rates are lowest for the most modern, sophisticated tools that are best able to identify new and increasing types of fraud.

However, the most important reveal/trend is that adoption rates are lowest for the most modern, sophisticated tools that are best able to identify new and increasing types of fraud. Despite innovation in fraud detection*, fewer than one-third of lenders currently use advanced capabilities such as: AI/ML fraud models, alternative data signals, and consortium-based fraud intelligence*. This gap between available tools and real-world adoption leaves institutions exposed precisely when fraud sophistication is accelerating.

For example, real-time AI-based fraud engines are growing in use but adoption is approximately half that KYC/ID verification checks. Similarly, fraud consortium use is growing but two-thirds of lenders surveyed do not participate in consortiums.

[1] Fair Credit Reporting Act

[2] Know Your Customer/Anti-Money Laundering

Is AI Helping or Hurting Fraud Detection?

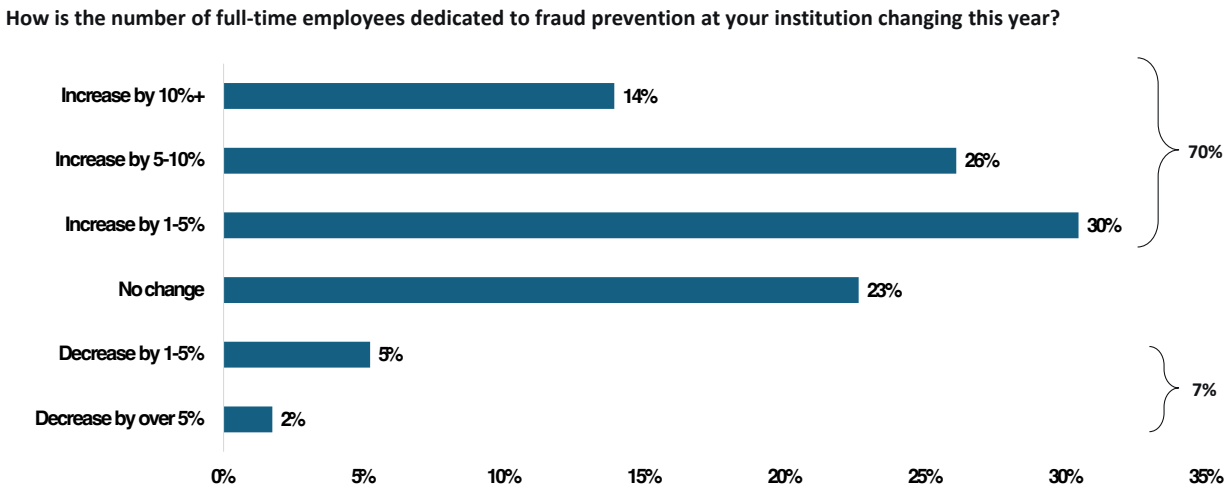
The answer is both. Fraudsters increasingly use AI to generate synthetic identities, fabricate documentation, and automate attacks at scale. At the same time, lenders are beginning to deploy AI for loan application evaluation, pattern recognition across large datasets, and automated decisioning.

The challenge is adoption speed. While 75% of lenders are increasing IT spending on fraud technology, implementation remains uneven. AI's value emerges only when supported by high-quality data and integrated workflows—not as a standalone tool.

Manual Fraud Assessment Has Become Unsustainable

Manual fraud checks are an essential part of fraud detection, especially for higher risk loans or automated fraud checks that are not approved but referred for manual review. Ideally, this is done on a case-by-case basis an exception basis. However, Figure 10 shows that 70% percent of lenders are increasing fraud staffing in 2026—a clear signal that organizations are compensating for technology gaps with people.

Figure 10: Lenders are Still Throwing Bodies at the Fraud Crisis



Base: US financial institutions in consumer lending (sample: 115)
Question: Q6: How is the number of full-time employees dedicated to fraud prevention at your institution changing this year?
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

While skilled analysts remain essential, scaling people instead of automation creates rising operational costs, slower loan decisioning, inconsistent outcomes, and customer friction during origination. With 40% of lenders increasing staff by 5% or more, it may be that lack of fraud management automation means that lenders cannot keep pace with automated fraud attacks operating at digital speed.

How is Fraud Connected to Credit Risk?

Fraud is increasing and new types of fraud are emerging. Fraud losses threaten financial institution profitability and solvency. Therefore it is important to know the role of fraud when loans default. These losses are classified as credit losses, but losses due to fraud are embedded in those losses. How big are these losses, and how can they be prevented?

Why Fraud Risk and Credit Risk Must Be Analyzed Together

One of the most important findings from the survey is also the most transformative for how to reduce fraud: A striking 93% of lenders say fraud contributes directly to credit losses. Figure 11 shows that fraud is often the cause of loan defaults and credit losses.

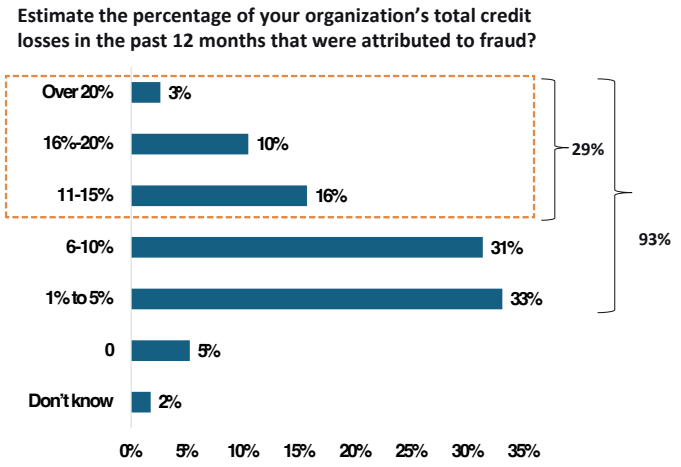
Figure 11: An Increasing Share of Loan Defaults and Credit Losses are a Result of Fraud

Fraud is often the cause of credit losses

93% of lenders say fraud is part of their credit losses

29% are experience double digit fraud losses within credit losses

If fraud is slipping through in loan origination, combining fraud assessment with credit assessment may be advantageous



Base: US financial institutions in consumer lending (sample: 115)
Question: Q7: Estimate the percentage of your organization's total credit losses in the past 12 months that were attributed to fraud?
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

Fraudulent borrowers increasingly appear creditworthy and are credit approved during the loan origination process, only to default after the borrower receives funds.

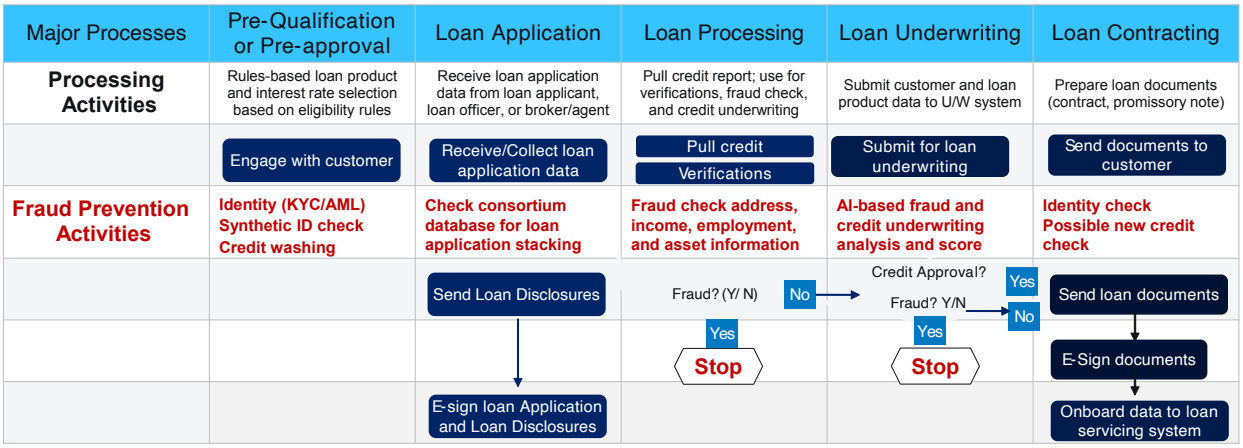
Fraud and Credit Risk Assessment in Loan Origination

This integration of fraud and credit changes the strategic question lenders must ask. In addition to asking simply "How do we stop fraud?" the better question to ask is, "How do we integrate fraud analysis with credit decisions so that fraudulent loans that look creditworthy are not approved?" Fraud detection must evolve from a defensive function into an integrated underwriting input to reduce fraud related credit losses.

Figure 12 builds on Figure 3, which mapped where the major types of fraud occur in the loan origination process. This figure provides more detail on the specific fraud prevention activities performed during each lending stage. Fraud checks occur throughout the loan origination process and combine AI-based fraud analytics with AI-based credit analytics.

Figure 12: Fraud Checks Across the Loan Origination Process and Integrated with Credit Decisioning

Consumer Loan Application, Fraud Check, and Credit Decisioning Process Overview (Illustrative process)



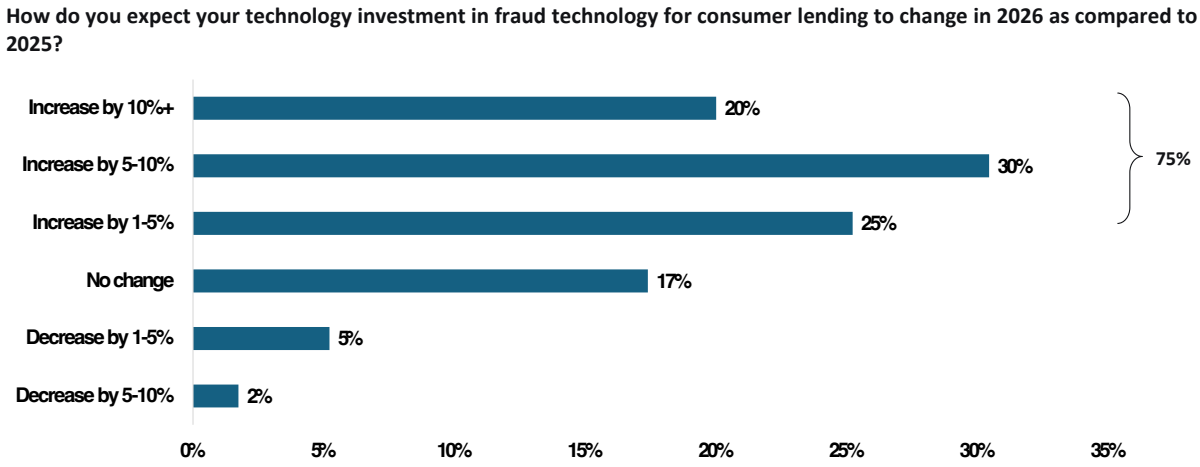
Source: Celent

Integration does not simply mean adding another fraud score. It requires embedding fraud intelligence directly into loan origination workflows so credit and fraud risk decisions occur simultaneously. An integrated approach includes real-time fraud signals influencing credit decisioning, automated orchestration within loan origination platforms, and shared data models between fraud and credit teams.

Lenders are Increasing Fraud Prevention IT Spending

When planning IT spending, external market spend in a technology area is an important guidepost for internal IT budget prioritization by spend category. Figure 13 shows 2026 budget/planned spending increase from 2025. Three-quarters of lenders surveyed are increasing fraud technology spending in 2026, with 20% increasing spend by 10% or more.

Figure 13: Fraud Prevention Technology Spending is Increasing to Combat New Types of Fraud



Base: US financial institutions in consumer lending (sample: 115)
Question: Q11: How do you expect your technology investment in fraud technology for consumer lending to change in 2026 compared to 2025?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

Automation alone will not eliminate fraud but it will help keep a lid on fraud staffing costs. Figure 10 showed that 70% percent of lenders are increasing fraud staffing in 2026, with 40% increasing staff by 5% or more. However, the path to fraud management efficiency is to spend more on technology to keep the lid on fraud prevention staff increases.

As mentioned, *Celent believes that fraud prevention automation integrated with AI-enabled credit underwriting can lower credit losses. When fraud and credit assessments operate together, lenders can accelerate approvals for legitimate borrowers, reduce false approvals, and lower operational costs.*

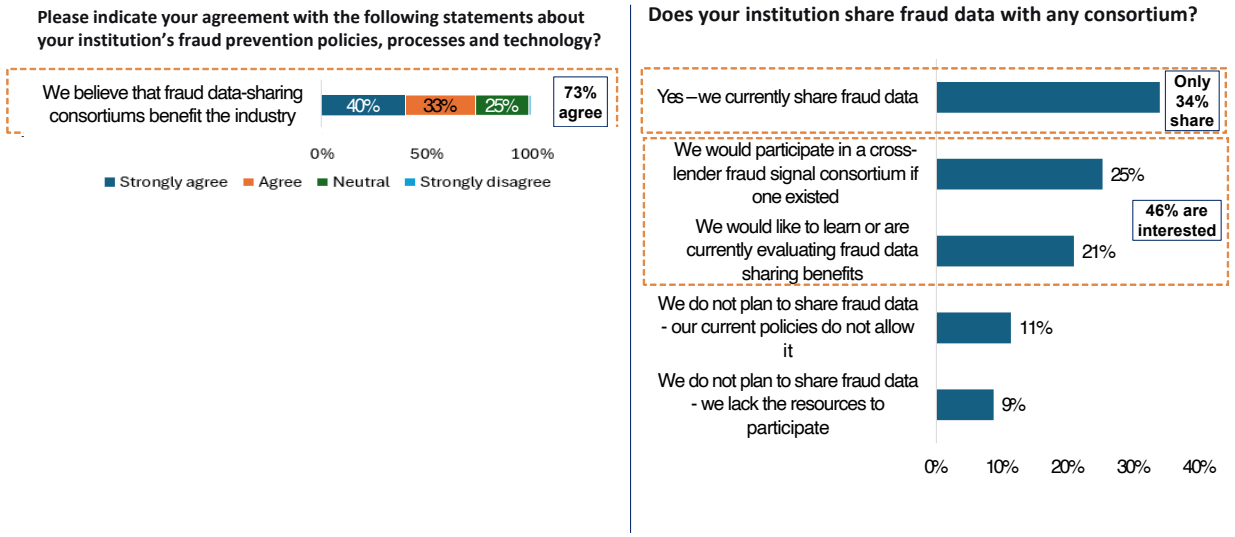
How Do Fraud Data Consortiums and AI Solve the Problem?

As fraud becomes more coordinated, individual lenders face an asymmetry problem: fraud rings share information faster than financial institutions do. Fraud consortiums allow institutions to identify patterns invisible within a single portfolio, including coordinated fraud campaigns, cross-lender application stacking by loan applicants, and synthetic identity reuse.

Fraud Consortium Data is a Missing Ingredient

Figure 14 combines two survey questions about fraud consortiums and fraud prevention policies, processes and technology. Seventy-three percent of lenders believe that fraud data-sharing consortiums benefit the industry, but only 34% are participating in a fraud data consortium

Figure 14: Fraud Consortium Data Sharing (46%) is a Top Need, Yet Only 34% are Currently Participating in a Fraud Data Consortium



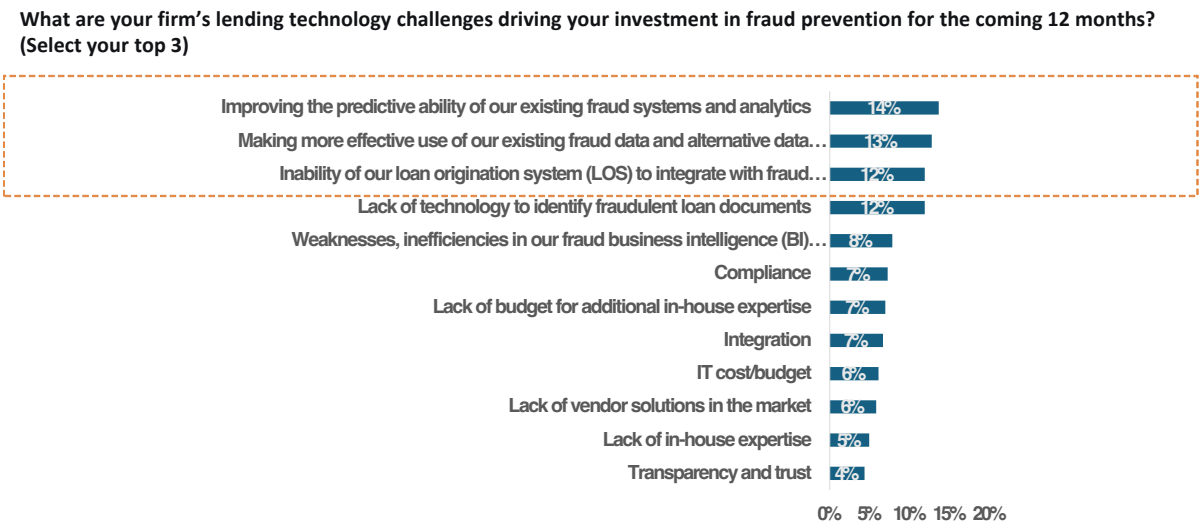
Base: US financial institutions in consumer lending (sample: 115)
Q8: Please indicate your agreement with the following statements about your institution's fraud prevention policies, processes and technology in consumer loan origination?
Q12: Does your institution share fraud data with any consortium? If not, why?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

Across institutions, the largest obstacle to acquiring better fraud prevention tools is not lack of awareness. In addition to AI-based fraud analytics, high-quality, real-time fraud data from inside the firm shared with fraud consortiums is also a critical component. Without clean, shared, and integrated data, even advanced analytics are challenged to identify new fraud patterns.

Successful consortium participation depends on several factors: reciprocal participation ("give to get"), minimal operational burden—especially for smaller institutions, clean and standardized data mapping, and easy integration into lender workflows. When executed well, consortiums transform fraud detection from reactive defense into collective intelligence.

Better fraud data powers better fraud analytics. Figure 15 shows the top lending technology challenges that will drive IT investment in fraud prevention. Lenders identified 1) the need to improve the predictive ability of existing fraud systems/analytics, and 2) making more effective use of their fraud data and alternative data sources.

Figure 15: The Need for Better Fraud Analytics and Data are Lenders' Top Technology Challenges



Base: US financial institutions in consumer lending (sample: 115)
Question: Q4: What are your firm's lending technology challenges driving your investment in consumer loan origination fraud prevention for the coming 12 months?
Note: details may not add to totals due to rounding
Source: Celent Top Insights From Fraud in Consumer Lending Survey, April 2026

The third largest technology challenge is the loan origination system (LOS) processing software. These are often many years old, not componentized, and may lack real-time, bidirectional integration with APIs. Fourth, many lenders lack technology to identify fraudulent loan documents. Many lenders use OCR[3] and some use RPA[4], but these tools need to be upgraded or replaced to identify AI-generated documents that look more real.

[3] Optical character recognition

[4] Robotic process automation

Path Forward

The consumer lending industry has entered a new phase of fraud risk—one defined not by isolated bad actors, but by organized, technology-enabled fraud ecosystems that create fraudulent digital identity, income, employment, and bank statement documents. The industry may face an existential crisis regarding its ability to lend without incurring a steadily growing level of fraud losses.

The ability to lend efficiently, process quickly, and satisfy customers is the heart of successful lending operations. In today's volatile lending environment, financial institutions must focus on better data, analytics, processing speed, and integrated fraud/credit risk assessment and participating in consortiums to combat fraud and maintain and grow profitability. Technology innovation and competition mandates continued investment in AI technologies and a sound AI strategy and technology investment will help lenders achieve these goals.

Five Practical Tips for Lenders Strengthening Loan Fraud Detection

Fraud in consumer lending continues to evolve in sophistication, requiring lenders to move beyond siloed controls toward integrated, data-driven defenses. The following five strategies provide a practical framework for improving fraud detection while balancing customer experience and operational efficiency.

1. **Prioritize Data Quality Before Adding New Tools**

   Strong fraud detection begins with reliable data. Inconsistent, incomplete, or outdated inputs significantly reduce the effectiveness of any fraud model or tool. Key actions include standardizing loan application data, implementing real-time data and document verifications, and regularly auditing data sources for accuracy and analytics for model drift. Investing in data quality yields higher returns than adding new technology on top of weak inputs.

2. **Integrate Fraud Scoring into Underwriting Decisions**

   Fraud risk should not operate as a separate checkpoint but as a core component of credit decisioning. By combining fraud and credit risk signals into a unified loan underwriting framework, lenders can make more informed decisions particularly in cases where applicants appear creditworthy but exhibit fraud indicators. A unified risk assessment strategy improves detection accuracy and portfolio performance, and helps lenders scale lending volume without large increases in fraud prevention staff.

3. **Automate Routine Fraud Reviews**

Manual fraud reviews are resource-intensive and can slow down decisioning. Automating routine checks improves efficiency and consistency. Low-risk loan approvals, clear fraud declines, document verification, and identity checks can all be automated using rules and AI-driven tools. Automation increases speed and scalability while allowing teams to focus on complex or high-risk investigations.

4. **Participate in Fraud Consortiums Early**

   Fraudsters often target multiple lenders using similar tactics. Participating in data-sharing consortiums enables access to broader intelligence and emerging fraud patterns. Early participation enhances long-term value through network effects, as shared data grows richer over time. Integration of consortium insights directly into decisioning systems maximizes impact. Collective intelligence strengthens detection capabilities beyond what any single lender can achieve alone.

5. **Add AI-based Fraud Prevention Tools**

   Advanced fraud schemes—such as synthetic identities and AI-generated documents—require equally advanced detection methods. AI tools can analyze behavioral patterns, detect anomalies, and uncover hidden relationships between entities. However, these tools must be supported by high-quality data, proper governance, and ongoing model monitoring. AI enhances detection of complex fraud but must be implemented thoughtfully alongside rules and human oversight.

Conclusion

An effective fraud strategy is not built on a single solution, but on a layered approach. High-quality data enables accurate detection, integrated decisioning reduces risk blind spots, automation improves efficiency and scalability, consortium participation expands intelligence, and AI tools future-proof fraud prevention. Together, these elements form a resilient and adaptive fraud detection framework capable of evolving with emerging threats.

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If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

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Typical projects we support include:

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