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Regarding: Vehicle Theft Schemes and NICB Action (Public Dissemination)

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SECTION 1: Executive Summary

Improved anti-theft technology along with increased law enforcement efforts have worked to drastically reduce vehicle theft rates since their peak in 1991 when 1,661,738 vehicles were reported stolen¹. However, even though vehicle theft has been on a general decline, it was still a \$4.3 billion problem in 2012 when 721,053 vehicles were reported stolen². There is a new array of anti-theft technology available on the market today aimed at making stealing a vehicle very difficult, but with this comes a new batch of thieves that have found ways to combat or circumvent it altogether. This report will detail some of the common schemes used to steal vehicles today, how the thieves are hiding the identity of the vehicles they steal, and finally what they are doing with the stolen vehicles in order to make a profit. In addition, this report will discuss what the National Insurance Crime Bureau (NICB) is doing to thwart these schemes, identify organized rings, and assist in recovering stolen vehicles.

SECTION 2: Stealing a Vehicle

Anti-theft technology is continually improving and each model year turns out new and advanced theft deterrents designed to make vehicles virtually impervious to theft. Due to these new innovations, thieves have had to adapt and find different ways to steal vehicles. The old methods of jimmying open a car door and hot-wiring a vehicle are no longer viable on newer models. One of the greatest advancements in anti-theft technology was the introduction of transponder keys and ignition immobilizers. Transponder keys contain chips which communicate with the vehicle's ignition to disarm the immobilizer and allow the vehicle to start. They have advanced from basic keys that only communicate with the ignition to full keyless systems which allow for locking/unlocking, a push button start, and even changing settings within the vehicle based on a key fob kept in the driver's pocket. Due to the sophistication of vehicle keys these days, it is almost impossible to drive a vehicle away without the key. However, thieves have found ways to outwit these systems by circumventing them altogether through a number of common schemes.

Vehicle Key Fraud

One of the main ways thieves bypass transponder key and immobilizer systems is by obtaining an actual key to the vehicle so that stealing it is as simple as locating the vehicle and driving off. To do this, some thieves will go through a locksmith or dealership to get a key made. In some cases, they create fake registration paperwork and IDs and pretend to be the real owner of the vehicle. In other cases, they will pay off the locksmith or a dealership employee in order to get a key made fraudulently. The majority of these types of cases involve unscrupulous dealership employees versus locksmiths who have to submit to a background check and pay fees to access the security information needed to make a key.

¹FBI Crime in the United States 2010, [Table 1](#)

²FBI Uniform Crime Report 2012, [Motor Vehicle Theft](#)

In order to steal a vehicle this way, the thieves must target a specific vehicle ahead of time as they need the vehicle's Vehicle Identification Number (VIN) to get a key made. One NICB case identified a ring that was targeting vehicles parked in commuter lots along a train line. They would go to the lot in the morning and copy down the VINs of the vehicles they wanted. Then they would create counterfeit registration papers and get keys made at local dealership. With a key in hand, they could return to the lot and drive off with the vehicle. The commuter lots became easy targets since the vehicles were likely to be there all day, day after day.



The thieves stole some vehicles the same day they had the keys made and for others they were able to come back days later and find the same vehicle in the same lot. Other NICB cases have found similar situations where thieves were targeting vehicles parked along residential streets. One case found that the thieves were using their cell phones to take pictures of the vehicle's public VIN located on the dashboard. They could go down the street and quickly obtain the VINs of vehicles they wanted to steal.

Stealing a vehicle with a key may be one of the easiest ways to make off with a vehicle that has an advanced anti-theft system. In order to combat this type of theft, NICB works with the National Automotive Service Task Force (NASTF) who has created a data exchange system that allows locksmiths and dealerships to access security-related information (i.e. key codes and immobilizer reset information) from automobile manufacturers³. NICB's role in this system is to maintain a log of all transactions and to work with law enforcement to investigate automotive crimes. NICB's Data Analytics Department has dedicated vehicle analysts which analyze the NASTF data to identify potentially fraudulent transactions as well as look for possible organized group activity. The cases detailed above were first identified within this data.

Rental Vehicles



Another increasingly common theft scheme involving keys concerns rental vehicles. With rental vehicles, the thieves are able to gain access to the specific types of vehicles they want as well as the vehicle's keys. In some cases, they can make copies of the key; in others, they will return the vehicle and leave a blank key in the parked car while keeping the real key. Once they have the key, they will come back to the rental lot after hours to take the vehicle; or in some more elaborate schemes, thieves have put GPS trackers on the vehicles so they can steal it from a future renter.

NICB has been working with several major rental companies to look for organized rings that are targeting rental vehicles. NICB's Data Analytics Department has analyzed data from multiple companies to look for commonalities between renters on stolen vehicles as well as analyzing data from the NASTF program on key code requests for rental vehicles.

³More information on the NASTF program is available at www.nastf.org. NICB's role is detailed further in the ForeCAST [NASTF Vehicle Key Code Report](#).

Vehicle Finance Fraud



Another type of vehicle theft on the rise also involves identity theft, forgery, and loan fraud. In this scheme, the thieves will finance or lease a new vehicle from a dealership in a transaction that looks legitimate upfront but is based upon fraudulent information or identities. The thieves then only make 1 or 2 payments or sometimes none at all. They are able to get their hands on the exact vehicle they want and the lenders or dealerships are left on the hook when the accounts default. In many instances, it can take months for the fraud to be discovered and the vehicle to be reported stolen. The vehicles are usually long gone by then and difficult to recover.

When applying for the financing loans or lease agreements, some thieves use fake or stolen identities.

In other instances, the thieves use Credit Privacy Numbers (CPNs) which are nine-digit numbers used in place of Social Security Number (SSNs), on applications in which an individual wants to conceal their SSN. Originally intended to provide an added layer of security and privacy for individuals, CPNs have become part of a growing scheme where they are misused to fraudulently acquire credit loans and insurance⁴. This type of theft scheme may require the thieves to pay a little money upfront in a down payment or cash due at signing but it also gives them easy access to higher end vehicles.

To combat this type of fraud, NICB has partnered with the vehicle finance industry to share information on individuals who may be committing this type of fraud. From this, NICB and the vehicle finance industry have been able to detect patterns, identify organized rings, and prevent further fraudulent loans and stolen vehicles. In addition, the NICB helps the vehicle finance industry recover vehicles through a program that provides real-time notifications of vehicles that have been recovered, impounded, or located in foreign countries.

SECTION 3: Hiding the Vehicle's Identity

After stealing a vehicle, many thieves will attempt to hide the vehicle's true identity in order to conceal the theft. The most common scheme for this is VIN switching where the thieves replace some or all of the VINs located throughout the vehicle. There are a few different methods of VIN switching depending on how the thieves obtain new VINs for the stolen vehicle. With "cloning", the thieves copy good VINs from existing vehicles to cover up the identity of the stolen vehicle. In these cases, there are now multiple vehicles in circulation sharing the same VINs. One of the more prevailing schemes seen these days is "counterfeiting" where the thieves make up a nonexistent VIN to put on the stolen vehicle. The thieves are often able to create VINs that will decode as the correct make and model for the vehicle and will also pass edit⁵. In some cases, they will merely change a few digits from the stolen vehicle's VIN in order to create a new VIN. Lastly, "salvage switching" involves taking the VIN from a salvaged or junked vehicle to place on the stolen vehicle.

The NICB has developed data sharing agreements with CARCO, Experian Automotive, and CARFAX in order to identify VIN switched vehicles. CARCO performs pre-insurance inspections in numerous states and provides NICB access to their inspections reports and photos along with notifications of potentially questionable VINs identified by their own analysts. Experian Automotive runs AutoCheck, a vehicle history report service, and provides NICB with monthly data sets of vehicle titling activity. NICB then leverages this data against its shipping and assembly data, provided by automobile manufacturers, to identify possible VIN switched vehicles. CARFAX provides information to NICB on vehicles they have identified in their data as potential clones. These data sharing projects have been extremely successful in identifying VIN switched vehicles and have resulted in the recovery of hundreds vehicles across the country that may have otherwise gone undetected.

⁴For more information on CPNs, please see the NICB ForeCAST [Credit Privacy Numbers](#).

⁵Since 1981, vehicles sold in the U.S. have used a fixed format VIN that describes the vehicle for purposes of identification including a check digit calculated from a mathematical computation specified the National Highway Traffic Safety Administration ([NHTSA](#)).

SECTION 4: Making a Profit

For most car thieves, the ultimate goal is to turn that vehicle into cash. Chop shops where a vehicle is disassembled and sold for parts is a popular scheme for older vehicles. For newer vehicles, however, it is often easier, less time-consuming, and more profitable to just sell the vehicle. Whether the car thief is simply part of a large ring where they are paid a flat fee for each vehicle they steal or participating in all parts of vehicle fraud schemes; at some point in the process, the vehicle needs to be sold in order to make a profit. Two (2) methods car thieves and organized rings use to convert stolen vehicles into cash are resale and exporting.

Resale in the U.S.

Oftentimes, in the larger, more advanced vehicle theft rings, there are different individuals performing the various parts of the vehicle fraud schemes. One person or even a group of people may be involved in stealing the vehicles, while another person specializes in switching the VINs and yet another does the work of selling the vehicles. Many of these VIN-switched vehicles end up being sold as used vehicles within the U.S. to unsuspecting buyers. The sellers will often pose as owners trying to sell their used vehicles themselves and may offer the vehicle at a low price to entice buyers to overlook red flags. In some cases, sellers will even pay people to register the VIN switched vehicle in their name in order to obtain a valid state title to make the sale of the vehicle seem more legitimate.



In order to identify and recover these vehicles, NICB develops leads from the data in the data sharing agreements detailed above. These leads are then disseminated to the NICB field agents who work with local law enforcement to locate and inspect potential VIN switched vehicles. In addition, beyond just assisting in the recovery of the vehicles, the NICB has identified and assisted in dismantling numerous organized rings perpetrating these schemes on a large scale through analysis and investigation by both NICB analysts and field agents.

The NICB has also partnered with a License Plate Reader (LPR) vendor to get real-time notifications of the locations of stolen vehicles. This helps to locate and recover vehicles before they can be VIN-switched and sold. It is also utilized to help track down vehicles that have been VIN-switched but are still being driven by the thieves in order to recover the vehicle before it is sold to an innocent purchaser.

Exports

Another scheme used to make money from stolen vehicles involves exporting them. Some luxury vehicles and vehicles made only for the American market can be worth much more overseas so there can be a great incentive to sell these vehicles there, versus in the U.S. In this scheme, the thieves may VIN switch the stolen vehicles and then attempt to export them in what appears to be a legal manner. In other cases, they will load the vehicles into shipping containers, declare that the containers contain other goods, and try to sneak them out the country.

The NICB works with U.S. Customs and Border Protection in ports across the country to identify and halt stolen vehicles intended for export. In addition, NICB's Foreign Operations group works to repatriate stolen vehicles that have been identified in foreign countries through a close collaboration with U.S. and foreign government officials.

SECTION 5: Conclusion

While vehicle theft has been on an overall decline for years, it is still a multi-billion dollar problem and 2012 was the first year to see an increase in thefts from the previous year in almost a decade. Vehicle manufacturers have worked diligently to create increasingly sophisticated anti-theft systems but thieves have adapted and found new ways to overcome or bypass these theft deterrents. Whether they are committing vehicle key fraud, finance fraud, or some other type of scheme, thieves are finding a way to steal vehicles. Once they have a vehicle in hand, they are also becoming more and more efficient at hiding the vehicle's identity through VIN switching, selling, or exporting them to quickly turn a stolen vehicle into cash.

The NICB is working hard to combat these thieves and assist in recovering stolen vehicles through a collaboration with law enforcement, insurance companies, vehicle manufacturers, vehicle finance companies, and rental companies; as well as through data-sharing agreements with organizations such as NASTF, CARCO, Experian Automotive, and CARFAX. By identifying the specific schemes criminals are using these days, the NICB has been able to develop a targeted response to locate and assist in the recovery of stolen vehicles, along with the identification and dismantlement of the organized rings perpetrating these schemes across the country.

¹FBI Crime in the United States 2012, [Table 1](#)