



# Terrace Finance expands fraud prevention capabilities with Experian

## Challenges

- New AI-driven risks to lead generation and funding sources
- Limited visibility into coordinated fraud ring activity in near real time
- Expensive and ineffective reactive controls based on outcomes
- Rising first payment defaults — a signal of potential fraud targeting or economic stress
- Need for proactive fraud detection before data is submitted to protect lending partners
- Scaling at 35%+ annually while minimizing fraud risk
- Costly fraud incidents — \$500-\$15,000 per incident for lending partners

## Results

- Detected a bot attack immediately upon activation, reducing risk within hours
- Gained new visibility into suspicious behavior and coordinated attack patterns
- Able to adjust their application flow in hours instead of weeks in response to new risks
- Improved customer service, lowered costs, and enabled easier scaling



**\$250,000**

in potential losses prevented in one attack

**25%**

Fraud indicators less than 25% of pre-NeuroID levels

**Terrace Finance is a specialty finance platform connecting over 5,000 merchants – including major big box retailers – consumers, and lenders. From outdoor power equipment to electronics to jewelry to pets, they're committed to setting a new standard as a premier, quality-lending marketplace where fraud is the exception, not the expectation.**

**Industry:** Financial services

**Use cases:** Account opening fraud detection

**Solution:** NeuroID Account Opening via Experian's platform

## Evolving attacks threaten a complex ecosystem

Servicing a wide range of credit profiles and business sizes with digital applications, Terrace Finance was experienced with fraudsters testing its system for vulnerabilities. However, increasing concerns about GenAI fraud and market pressures on consumers prompted a search for proactive, behavior-based defenses that can surface intent before damage is done.

A single fraud incident could jeopardize a merchant's relationship with a lender or, worse, shut down access to financing altogether. While lenders have traditionally been responsible for these controls, Terrace Finance is building an ecosystem where merchants, customers, lenders and our platform all work together to make fraud harder to commit.

"We hear the horror stories of someone who got through and successfully created a number of transactions, and a lending partner took a loss because of that," said Andy Hopkins, CEO of Terrace Finance. "As a CEO, I'm always saying, 'Hopefully that will never be me. What can I do proactively to try to identify, react and therefore protect my partners from these risks?'"

Terrace had strong tools to validate submitted data, but they lacked visibility into how that data was being entered. The team needed a way to detect intent before fraud made it through the front door and more proactively integrate that data into their models.

"You don't know what you don't know," Andy added. "And in today's world, with AI and other tools, we must do proactive things instead of the reactive things that have been dominating our industry. Having real-time systems is more important than ever."

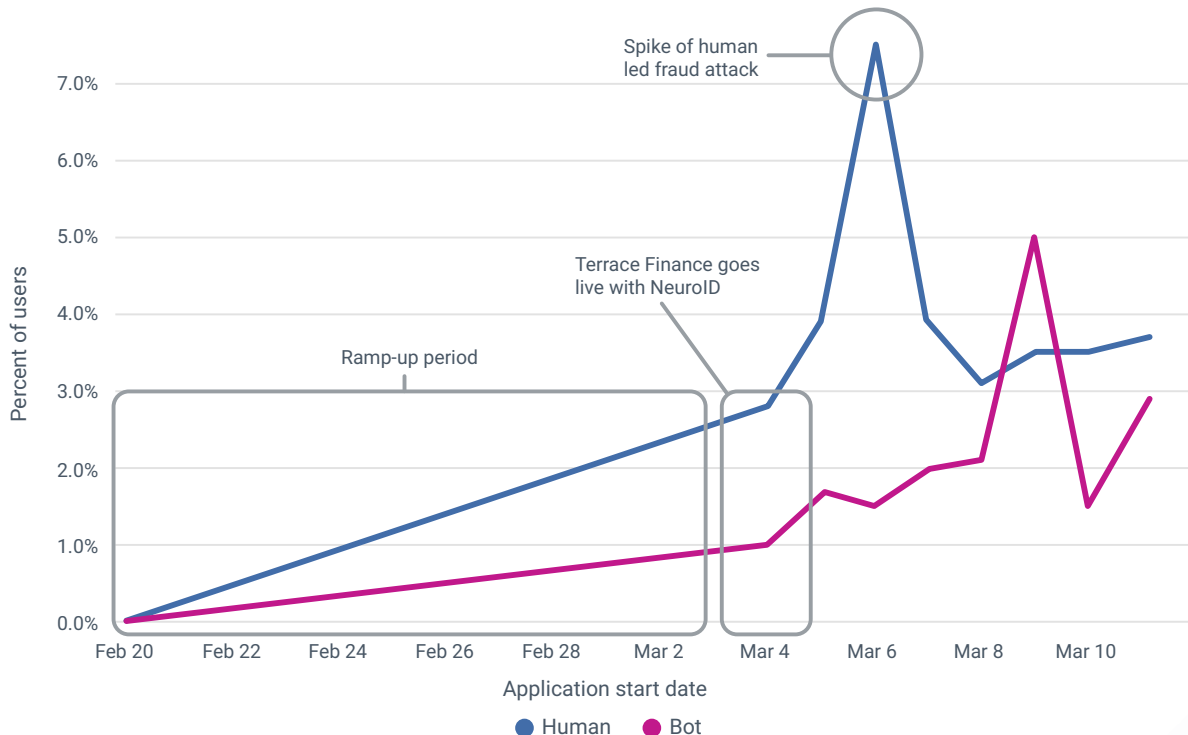
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### Risky signals



## The Experian solution

Terrace had prior success with Experian's prequal and fraud orchestration solutions, and once again turned to Experian's team to help further strengthen Terrace's fraud stack. Through Experian's platform, Terrace added NeuroID, which provided a net-new layer of visibility into Terrace's traffic.

"Going live was my most nerve-wracking day," said Andy. "We knew we would see data we'd never seen before — and sure enough, we were right in the middle of an attack."

Human fraudsters, working as part of a fraud ring, were setting up a bot attack. A classic technique NeuroID uniquely detects and visualizes. At the early stages of the attack, fraudsters were more than 7% of Terrace's application volume. Clearly, a human-led setup for a bot attack to follow.

Fortunately, Experian jumped in immediately, helping Terrace interpret the signals and act. Because Terrace builds its own internal underwriting systems, its engineers were able to ingest the data and begin responding in real time. Together, they established new techniques to stop the attack within a few hours — setting a new bar for fraud attack management within the company.

"Within a day, you could start to see the curves go in the right direction," Andy said. "Experian's training on how to spot patterns and understand which activities had the highest risks blew my team away. They'd explain, 'If the user leads with this action, you're probably going to see that action next,' and sure enough, we did. It was so motivating to put in improvements and then watch the behavior change."

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That experience also changed how Terrace understood the nature of the fraud they were facing. Rather than small or opportunistic attacks, they were coordinated, persistent and surprisingly sophisticated.

"We thought the fraud was a little more generic and a little more spread out. What we found were much more coordinated activities, but this also meant we could bring more surgical solutions to the problem instead of broad strokes," Andy said.

**Less than two months after launch, Experian helped Terrace stop another attack** — a massive fraud ring targeting one of their businesses during an advertising campaign. The attack came fast and late at night, with a coordinated group of fraudsters submitting identical applications in rapid succession. Because Terrace had proactively configured early decline rules using NeuroID's behavioral signals, the system automatically blocked the activity — preventing more than \$250,000 in risky applications from reaching their lending partners.

More than just attacks, early results show they're reducing fraudulent applications to their member lending partners by over 50%. They're also converting over 50% of manually reviewed fraudulent applications into instant decisions, allowing for better customer service, lower costs and easier scaling. As for the fraud attacks? Indicators show they're down 25% from pre-NeuroID levels.

Now with proactive attack detection and auto-decline rules in place, **Terrace is focused on training, testing, improving workflows and workshoping with customers through the NeuroID dashboard.**

## Terrace Finance

Because of the dashboard's visual clarity, Terrace is also using it to onboard and upskill team members. It's also strengthened their relationship with their customers.

"We're blessed that our merchant partners will notify us when they think something's wrong," explained Andy. "They'll call and say, 'Hey, that application doesn't feel right.' We can jump right into NeuroID, drill down, look at it, and say what it is that they're seeing or what it is that they're sensing. It's a really neat experience for us with our customers."

Andy says they're just getting started. Now enriched with a new swath of behavioral data and fraud insights, Terrace is continuing its commitment to managing the highest-quality financing platform by investing in Experian's Fraud Analytics. They'll work together to maximize each tool in

their stack and ensure genuine users are receiving the best experience possible. Andy concluded that he's excited to have their data run against the larger Experian ecosystem to see which other tools and techniques might be beneficial.

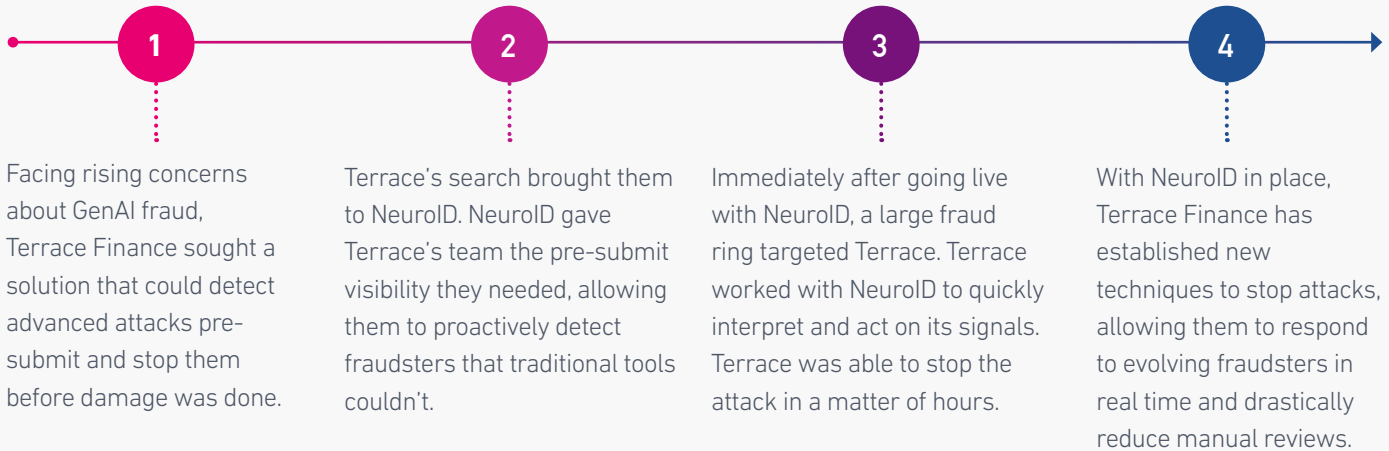
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"The best part is the dashboard, the ability to see in real time, dig in, get all the way down to individual experiences and look at them, both from a teaching standpoint and from an actual combating-the-fraud standpoint. That's our favorite part."

— Andy Hopkins, CEO, Terrace Finance

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### Timeline



### About Terrace Finance

Terrace Finance is a specialty finance company that connects merchants, customers, and lenders through a single platform. Built to create a unique balance between all three parties, Terrace offers flexible financing solutions across a wide range of industries and credit profiles. With over 5,000 merchant partners and a growing international footprint, Terrace is committed to delivering innovative financing while protecting its ecosystem from fraud.

