



Outsourcing fights check fraud in your CU

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► The recent movie “Catch Me If You Can” was based on the life of Frank W. Abagnale Jr. Abagnale was a brilliant con artist, able to pull off deceptive schemes that made him rich and influential.

The story reminds us that we’re continuously facing new challenges in identifying and controlling a rapidly moving threat in the financial services industry: check fraud. In 2002, check fraud exceeded \$679 million and is increasing every year.

CURRENT SCAMS

How many of you read about Internet scams, believing they never could happen to your credit



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union? Unfortunately, they can.

An Internet scam recently cost one financial institution’s customer \$74,500. The customer used the Internet to list a car he was selling for \$17,500. A potential purchaser contacted him, agreeing to buy the vehicle.

The buyer sent what appeared to be a \$92,000 cashier’s check to the seller’s financial institution. Then the buyer told the seller that his secretary had sent the wrong check and asked the seller to return the extra \$74,500.

After the cashier’s check had cleared, the car’s seller agreed to wire the \$74,500 difference to the purchaser’s bank account. Nine days later, he learned the cashier’s check was counterfeit.

If you have an e-mail address, chances are good you’ve heard from the widow or nephew of a fallen African potentate seeking your help in exchange for millions of dollars. People who fall for the scam can find their accounts wiped clean.

The pitch promises the recipient 30% or more of a multimillion-dollar sum. The writer offers to transfer an “overinvoiced contract” or other money to the recipient’s personal account. In return, the recipient is asked to provide his or her financial institution’s account number and other

FRAUD PREVENTION TIPS

- Review your credit union’s options for reducing fraud risk in the official check distribution process.
- Incorporate multiple check security features.
- Take advantage of positive pay programs.
- Train member support staff to be skeptical if members are asked to “refund” a large amount to someone they don’t know.

personal information. Official-looking documents vouch for the proposal’s authenticity.

The recipient is asked to provide advance fees for taxes, attorneys’ fees, and performance bonds. If the recipient takes the bait, “complications” arise, necessitating additional payments. Eventually, the recipient’s personal account is cleaned out.

OFFICIAL CHECK SOLUTIONS

Many credit unions have begun outsourcing their check programs to gain significant fraud protection as well as receive financial and operational benefits. Consider these programs to minimize fraud risk:

• *Online, real-time positive pay system.* When evaluating an official check (also known as a cashier’s or teller’s check) program, make sure the process includes an online, real-time system so you can request up-to-the minute positive pay reports. A robust system will offer customized reports and report distribution to

provide you with the most efficient and effective notification process available.

• *Antifraud check design.* Incorporating new and ever-changing antifraud features in check designs—such as holograms, microprinting, watermarks, chemical voids, and thermochromic icons—helps mitigate risk. Counterfeiters will look elsewhere for a check that’s easier to duplicate.

• *Online secure check disbursement.* Reduce the risk of fraud by securing the printing and disbursement of checks. Incorporating security levels and print controls with a sophisticated disbursement system is an added feature that reduces exposure. These programs are becoming more widely available and affordable with the proliferation and acceptance of the Internet.

For more information on official check and money order outsourcing, visit buy.cuna.org and enter “MoneyOrders” in the Search box. Or call 800-356-8010, press 3. ■