

25-039A Fraud Event Meeting -Check Fraud - V2-L-Res

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We're not here just to scare people.

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We do want to educate about let's talk about what the landscape is is looking like.

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But let's let's dig a little bit deeper into the three primary attack vectors.

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So this is how the fraudsters are attacking us.

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I understand from you that Check fraud, ransomware and business e-mail compromise are, are the primary 3.

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Dig deeper into check fraud if you would and tell us a little bit about that.

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And so we, we, we talked about check fraud and, and kind of how this occurs where the, the assaults on Postal Service workers and the obtaining the, the arrow keys.

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What the fraudsters have done is they've they've literally created a virtual marketplace for fraud.

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So when they when they rob the Postal Service worker or they steal these checks out of the mail, when they rob the Postal Service worker, they're looking for for checks, they're looking for bank statements, credit card mailers, anything that they can monetize, but also anything that they might be able to use to create a synthetic identity.

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So if they get a if they get a bank statement as an example, then they've got information that they can use to try to convince that victim or potential victim to to fall for whatever scam it is that they're trying to perpetrate.

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So in in check fraud, much of this really falls in the first two or three categories that we've got here.

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What what the foster will do is they'll take those checks that they're able to steal from the mail and they'll do what's called washing those checks.

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You know how that works.

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They will can purchase regularly easily available chemicals that will enable them to wash the ink off of that check.

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So that they've got basically a blank negotiable document and they may leave the signature.

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They may they may apply a digital signature that they've acquired.

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You know, it's they've got the check.

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So they'll take a picture of the signature and then put that that that signature back on this document.

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If they wash the document completely, they'll typically sell those documents on on platforms like Telegram or on the dark web.

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So they they're posting this information for sale and creating this virtual marketplace so that the other fraudsters are willing to pay for that information and pay for those documents.

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So when they the other usage will be that they will take that with a wash the dollar amount maybe or they'll alter the dollar amount or alter the payee name in some way.

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So they might, the check might be written to to to Jeff Taylor Toyota.

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They may open an account somewhere in Jeff Taylor Toyota LLC and so they add the LLC to the end of that.

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And so they are able to create enough documentation to allow that account to be opened.

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And then they will add the LLC and they'll deposit that item into that account that they control.

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So it's not Jeff Taylor Toyota, it's not my company that actually gets the, the payment.

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It's going to that deposit is going to go to that, that account that's controlled by the fraudster.

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The, the second thing is that they will, once they have that stolen check, is that they will, they also have access to the routing and transit and account number that's in the Micker line at the bottom of that check.

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So they will take that Micker line, they'll go and purchase a blank check stock with a printer.

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They'll add that Micker line at the bottom with the routing and transit account number.

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And then they'll negotiate counterfeit checks that are going to clear against your account.

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So we provide a product that the for businesses that's called positive pay.

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And when you provide us with that issue file, the the of the items that you have written, the checks that you've written, then we compare that to, we compare that issue file to those that are clearing against your account and give you the opportunity to review those as exceptions and tell us when that doesn't match your issue file.

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And so you can look at those and go, that's not mine.

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I didn't do that.

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That check was not one that was a part of my a part of my issue file.

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And so you can let us know that if we can return that within the appropriate time frame.

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So they'll they typically will use those once they have washed that item, they'll and have that Micker line information, they will then create those counterfeit checks.

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It also opens up other opportunities.

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So the fraudster may conspire with someone who has who is actually opened an account, a business account and has the capability to generate an ACH debit.

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So once they have that routing and transit and account number information key, they're able to then initiate that debit and they or they will enter that information maybe into their bill pay software.

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So that that debit is going to post against the account that that it's your account, your authorized account.

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But they are creating this fraudulent transaction because they have gotten that information.

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Jeff Christian Kylie pointed out that he and I have been at the bank for a little over 20 years, and both of us have been working with clients in commercial clients that entire time.

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I think this is probably a trend that I've noticed over that time.

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We we did a good job in the early 2000s educating clients who wrote a lot of checks out of certain accounts about ensuring they had fraud prevention.

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I see today, even if you don't write a lot of checks out of an account, if you have others who are giving sending an ACH credit to that account, if you have others that are depositing into that account, anytime that account number and routing information gets outside of your organization, it's acceptable to fraud.

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And we have a great client in Mississippi that we were able to work with over the last few months to actually put some fraud prevention on accounts that they didn't write checks out of at all.

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And I was with them a couple months ago and they said we see an attack on these counts on almost a weekly basis.

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And it's because they had customers who were paying them by ACH.

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So while we're all trying to get out of the check writing business, even understanding that sharing that information outside of checks opens you up to fraud too.

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You know, it sounds odd coming from a banker to say don't write any more checks, you know, move, do something different.

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But what we want you to do is to move to a more digital payment channel.

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You know, one, a couple of things that people don't normally realize.

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When you write a check, you're providing information so that valuable keys of information or valuable pieces of information on that item, you you're providing a check number.

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So the fraudster knows what your check range is.

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You know, he knows that your range starts with 1100 or 400 or whatever it is.

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You're providing the, the, the look of the check.

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So you know what that the fraudster knows what that check stock looks like and you're providing the signature and the Micker line, the routing and transit and account number.

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So one of the things as a consumer, you don't really do this with businesses as much because you're typically in a business, you're not handwriting a check.

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But as a consumer, if you're going to write checks, number one, I would suggest use your bill pay software as a consumer.

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Secondly though, if you can't do that and you you've got to write a check, use a gel based ink.

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And the reason that you want to use a gel based ink is that that gel ink absorbs into the the paper document.

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It absorbs into that check document.

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And so it makes it much more difficult for the Foster to wash that ink off of the check because there's going to be a remnant of that in there that hopefully somebody would pick up on.

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Jeff, I definitely learned something new every time that we thought.

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Thank you for sharing that.

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I want to make sure to mention we talked about converting from paper to electronic.

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But number one, I want to make sure to mention in the business world and even in consumer, reconcile your account on a regular basis.

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I mean, I encourage people recognize daily, if you can reconcile your account on a daily basis, that's the best possible opportunity.

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If you bank with us, we provide you that previous day and current day activity in in our treasury.

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If you don't bank with us, I'm sure your banking platform probably does the same thing.

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So you're able to see those those items that are that are posting to your account or that posted last night.

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Make sure that you are reconciling daily because there's a time frame within which you have to respond and that we have to respond to the Bank of first deposit.

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So make sure that you do that quickly so that we know that and we know you're able to notify us as quickly as possible.

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Make sure that you're placing stop payments on anything that's lost or stolen.

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Make sure that you're securely storing your check stock.

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That's so, so important.

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You'd be amazed at the number of cases that I investigate where I find out it's a small business.

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The owner is the only one who signs a check and he's going on vacation in Europe for two weeks.

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So he signs 15 blank checks and leaves them in a desk drawer for someone to use if they need to.

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And next thing you know, some of those are gone and not to indict anyone in particular, but it might be the cleaning crew, it could be anybody who who knows where those checks are and, and, and takes takes them from the desk drawer.

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And the other thing of course is using positive pay.

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Couple of things that I would suggest too.

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If you can avoid the use of a window envelope, then make sure that you're doing that.

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There have been cases where the fraudster actually is making that window envelope and they squeeze it down and they're able to see through the window and determine that yes, it's a check and yes, it's a dollar amount that I'm interested in.

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And so depending on on their threshold or though they may not pick one that's small, but they would would decide that, yes, I'm going to, to take this check because I, I know what the dollar amount is.

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So that window envelopes an indicator.

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The second thing is to, as opposed to putting the check, if you're going to mail a check, rather than put it in your mailbox and raise the red flag, literally you're raising the red flag and alerting a fraudster that there's mail in that mailbox.

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Take it directly to the Postal Service, go to the post office, hand it to that postal worker across the counter.

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If you're not going to remediate it completely, but what you do is take that, that the opportunity of the blue box or the mailbox you get, you kind of take that out of the mix.

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So just a couple of things from a industry suggested practice idea.