

## Check Fraud Prevention Best Practices

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Despite a lower volume of checks in circulation, checks continue to be the payment method most impacted by fraud.

In fact, according to the Association of Financial Professionals, 66% of organizations reported fraudulent check being used in an attempted or successful payments fraud scheme. According to the FBI, reported cases of check fraud have resulted in \$18 *billion* in losses over a single year period.

To protect themselves and their members, credit unions need to stay up-to-date with the latest check fraud tactics and deploy measures to keep safe.

### ***SLIDE: Why is check fraud so persistent?***

Check fraud remains a persistent threat because it is a low-cost, low-technology way for fraudsters to deploy a variety of their favorite tactics.

As technology advances and the digitization of payments evolves, so does the check fraud landscape.

For example, with the popularity and convenience of mobile deposits, new schemes have developed that take advantage of check deposits that can be made anytime, from anywhere.

We've also seen events like stimulus payments being taken advantage of -- fraudsters have access to high-quality printing machines that can make Treasury check look-alikes. Fraudsters also use times of crisis to socially engineer victims, often using checks or the promise of fast reimbursement to steal funds.

### ***SLIDE: Check fraud prevention best practices***

To protect against all manner of check fraud schemes, credit unions need consider the following:

1. Credit unions need to deploy protections across their deposit channels -- as a result of the pandemic, remote deposit channels have become increasingly popular -- mobile deposit, ITMs, and kiosk banking use have all skyrocketed. Many fraudsters saw the shift in where we deposit items as an opportunity to test the protections of newer deposit channels.
2. Credit unions also need to be proactive in their approach to fraud -- That means implementing tools that can validate checks in real-time, before a loss can occur. For example, to help business accounts address check fraud, implementing a positive pay solution that automatically detects mismatches in payments information, constitutes a proactive way to fight fraud.
3. Finally, credit unions need access to the best, most relevant, up-to-date fraud data available—in order to identify a “bad check,” credit unions need to have access to a wealth of decisioning data, and that data should be easily actionable by all levels of staff. They need a database where they can get real-time responses on duplicate deposits, non-sufficient funds (NSF), and closed accounts, counterfeits and other fraudulent items. One way to access this data is to look at solutions that take a cooperative approach, by combining fraud data from credit unions, banks, processors and others

Credit unions that take these steps can expect less fraud-related losses and happier members.