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How CUs are Combining Technology With Human Intervention to Foil Fraud

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LEXINGTON, Ky. — Tellers are stopping fraudulent checks left and right — including one for \$49,000 at one CU — using a counterfeit alert database at the teller window.

"We would not have caught the \$49,000 fraudulent check without TrueChecks," a fraud prevention solution, explained Ann Allison, internal auditor, Members Heritage FCU here. In March, the CU had placed a five-day "hold" on the \$49,000 bank draft — but the hold had revealed no counterfeit information, she said.

Five days into the hold, the \$240-million CU went "live" with TrueChecks. Members Heritage then queried the \$49,000 draft against the TrueChecks software, which is installed on existing teller hardware. The result: "We notified the member that there was reason to suspect "collectability," Allison said. "The next day the check was returned as altered-fictitious."

Similar fraud-stopping revelations come from other TrueChecks users — Freedom Credit Union in Warminster, Penn., has prevented an average of \$28,000 per month in check fraud loss since it started using the service a year ago — "it's a godsend," said Barbara Schmidt, collection manager and fraud officer at the \$358-million credit union.

Preventing \$1.3 Million In Fraud

Marine FCU in Jacksonville, N.C., has prevented more than \$1.3 million in counterfeit check loss in the past 17 months, thanks to TrueChecks, according to Frank Davis, senior security manager.

Before TrueChecks, the credit unions interviewed for this story had never used automation to help prevent fraud. "We didn't have anything to go by except teller training," said Brian Dorn, VP-risk management at \$155-million First Flight FCU in Havelock, N.C., First Flight has virtually eliminated counterfeit checks at its three branches in the year it has used TrueChecks, he said.

"TrueChecks really helps at the teller station — where we have 60% turnover in tellers," Dorn explained. "It helps new tellers determine whether a check is good. And it allows them to give the member a valid reason for placing a hold on a check."

Human intervention and TrueChecks is the best combination in preventing fraud, Allison added. "Our tellers don't take any action based solely on TrueChecks, but if there is any question, they take the check to a supervisor."

In the past, Members Heritage might reject a check at one branch, only to find out the member would take the check to another branch and successfully cash it, said Allison. "Now, we have consistency among the branches because they're all on TrueChecks."

Unique Subscription Model

The monthly subscription model is unique to AFS, suggested Dorn, "which means we don't have to pay per check, inquiry or teller station."

"It was easy to sell TrueChecks to the board of directors because the counterfeit checks we had charged off in a three-month period more than paid for a two-year subscription," added Allison.

TrueChecks provides users with national and regional fraudulent account and routing information; names of fraudsters; and counterfeit alerts, such as "be suspicious" of checks with certain routing numbers — in as little as a nanosecond, depending on the size of the institution queried, according to Lawrence Reaves, VP, AFS.

AFS also offers TrueCards, enabling credit unions to stop plastic card fraud. In February, Clark County CU in Las Vegas stopped \$60,000 in skimming, Reaves said.