



**Fighting Check
Fraud in Real-Time**



As banks and credit unions expand their remote deposit channels, deploying effective, real-time fraud prevention tools is essential to minimizing losses and protecting account holders

SUMMARY

Losses related to check fraud remain widespread. Despite a move towards electronic methods of payment, fake check is one of the most common forms of fraud, placing it within the top five riskiest scam tactics according to the Better Business Bureau¹. Losses from check fraud remain a huge problem for financial institutions and consumers. In fact, check fraud losses account for 35% of all industry fraud losses². For consumers, losses from check fraud are on the rise to a median loss of \$1,488 per incident¹.

As new deposit channels have gained widespread adoption – particularly ATM/ITM and mobile deposit – fraudulent actors search for new opportunities to exploit fraud prevention systems that have not kept pace with technological innovation.

Recognizing the persistent threat that check fraud poses to financial institutions, Advanced Fraud Solutions (AFS) entered into a strategic partnership with Alogent to provide banks and credit unions with an integrated, real-time solution capable of preventing check fraud across all in-branch and remote deposit capture points.

This case study explores the experience of two credit unions who deployed AFS' TrueChecks[®], in partnership with Alogent's end-to-end Check Processing Suite, featuring teller capture and item processing capabilities.

OVERVIEW

Financial institutions are expanding their check deposit channels. As check fraud remains an issue for all banks and credit unions, even at the teller line, an omnichannel approach to check fraud is needed.

CHALLENGE

With the expansion of check deposit channels, such as remote deposit (ATM and mobile), fraudsters are finding new ways to commit check fraud.

SOLUTION

AFS and Alogent, two fraud mitigation services, joined together to provide customers with a joint solution for omnichannel check fraud protection.

FRAUD PREVENTION THAT COVERS ALL POINTS OF CAPTURE

For Summit Credit Union (Greensboro, NC) and its members, deploying the same fraud prevention tools across deposit channels was critical to the successful growth of mobile deposit. Between 2014 and 2018, Summit achieved a 43% YOY increase in mobile deposit users, but with this increase in users came an increase in check fraud. After launching TrueChecks® in December 2017, the rate of checks returned due to NSF decreased nearly 50%. In May 2018, for instance, there were only 2 returned checks from the mobile channel.

“You’re not going to stop fraud 100 percent,” said Carol Nault, EVP & COO, Summit CU. “But significant reduction in fraud can be achieved by adding additional fraud protection tools across all capture points, effectively limiting the potential for fraud to occur.”

At the teller line, a similar reduction in fraud was achieved through improved decisioning and teller training. At Summit, a majority of losses incurred on teller deposits came from altered, fictitious checks

under \$200. Additional, hidden costs were also incurred on these returned items in the form of employee hours spent processing the returned items and subsequent case management. “Perpetrators would hit different tellers at different branches with small dollar checks – small enough that we wouldn’t normally apply a hold,” said Nault. “With TrueChecks®, when a counterfeit check is presented at the teller line, the system returns a message instructing the teller exactly how to proceed. It’s a real benefit to our members, who get better service at both the teller line and through our mobile deposit application.”

Penn East Federal Credit Union (Scranton, PA) also experienced losses on altered and fictitious checks. At Penn East, where Alogent had already been implemented to reduce fraud at the teller line, fraud posed less of a risk in that channel than in the credit union’s rapidly expanding mobile deposit service. “We had significant fraud losses when we went live with mobile deposit,” said Brad Gebert, IT Manager, Penn East FCU. “When we added TrueChecks® to the equation, our fraud losses dropped to near zero. It paid for itself within minutes.”

SIMPLIFIED DECISIONING INCREASES TELLER PRODUCTIVITY

While different institutions make different assessments of risk, each with their own hold policies and procedures, the combination of the powerful TrueChecks® database with Alogent's Clearing, Returns and Chargeback capabilities, fraud module enables a financial institution to customize risk decisions as well as recommended actions when an exception occurs. As part of the integrated solution, Penn East FCU applied the same real-time fraud prevention at both teller and mobile capture points resulting in better decisioning across both channels.

“With the integrated solution, we’ve eliminated the need for manual data entry – all checks are processed automatically, and, subsequently, we are looking at more items. We no longer have to rely on the teller to make the right decision,” said Gebert. “The additional layer of protection has been very helpful, with the result being a significant increase in the efficacy of our fraud prevention.”

Allowing financial institutions to add custom messages to tellers enables them to communicate quickly and clearly with customers should an issue arise. “At the front line, the integration was smooth. Tellers get a message telling them exactly what to do when a deposited item is flagged,” said Nault. “It’s a powerful benefit for our members in that we are able to provide a step-by-step process enabling our tellers to better serve and protect our members from fraud.”

CLIENT PROFILES

Summit Credit Union is a not-for-profit full-service financial cooperative established in 1935.

Based in North Carolina, Summit Credit Union services roughly 2,400 members in the region. Summit CU controls assets totaling over \$235M.

Penn East Federal Credit Union is one of the largest credit unions in the Scranton/Wilkes-Barre area, serving over 22,000 members in northeastern Pennsylvania. Penn East FCU controls assets totaling over \$170M.

REDUCING CHECK FRAUD DIRECTLY BENEFITS MEMBER SERVICE

In addition to reducing fraud losses, deploying TrueChecks® has the added benefit of freeing-up resources to improve service. “With the cost savings we’re achieving through reduced losses, we’re investing more in technology,” said Gebert. “For us, eliminating fraud directly translates into improved member service – most notably a new core conversion and other member-facing services.”

At Summit, Nault cites “better protection for our members” as one of the most significant elements to improved customer experience. “When check fraud hits our credit union, it’s our members who ultimately are defrauded. Protecting them is always our ultimate priority.”

HOW THE INTEGRATED SOLUTION WORKS

The joint AFS and Alogent solution, which draws on the collaborative power of the TrueChecks® database, allows banks and credit unions to mitigate fraud in real-time, leveraging:

- A vast fraud database comprised of data from a large network of financial institutions, item processors and optional third-party sources for account status data.
- Real-time responses on counterfeit, NSF, Closed Account, Duplicate and other fraudulent items.
- Easy API-based integration into existing and familiar workflows.
- Decisioning with Reg CC-recommended action and associated risk.



Alogent provides proven, end-to-end check payment processing, digital, online, and mobile banking, enterprise content and information management, and data analytics platforms to financial institutions including over 2,400 credit unions, community banks, and some of the largest national and international institutions.

Our unique approach spans the entire transaction “ecosystem” –from capturing and digitizing transaction data, to automating entire transaction workflows and making information available across the enterprise. Alogent’s solution suites leverage the latest in AI, machine learning and predictive analytics, enabling financial institutions to deliver products and services that boost engagement through personalization and data-backed decisions.

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ABOUT ADVANCED FRAUD SOLUTIONS

Advanced Fraud Solutions was founded in 2007 with the simple mission to help financial institutions and businesses prevent fraud by utilizing their comprehensive private cloud-based software solutions at the front line and in

the back office. Every day, their innovative fraud prevention tools help banks, credit unions, and merchants of all sizes eliminate losses and safeguard their financial assets, providing the level of protection that today’s customers demand.