

REVISITING THE AUTHORIZED CHECK FRAUD SCENARIO FROM TOOLKIT MODULE 2

When fraudulent activity happens, it is not always immediately clear that fraud is taking place. However, after fraud has been identified, a case assessment or root cause analysis can reveal attributes or signals that could be incorporated into fraud prevention strategies to detect it faster next time.

Revisiting the authorized party fraud scenario outlined in module 2, there are multiple fraud signals – shown in the boxes on the right of the infographic – that can be observed during this event.



1

New Account Opened

Criminal opens a new deposit account.

Discrepancies may exist with the identification

Social Security number issued before date of birth provided



2

Account Ages + Cash Deposits

Account ages with minimal activity other than cash deposits that continue to increase the account balance.

Lack of ordinary spending, e.g., bill payments, fuel purchases, food, etc.



3

Multiple Large Checks Cashed

Criminal cashes multiple checks for large amounts using the balance in the account and then later, withdraws the funds from the account.

Accelerated volume of checks cashed compared to history or that can be logically explained



4

Checks Cashed are Returned

Cashed checks are returned, bringing the account balance to -\$9,500 – resulting in a potential loss to the financial institution.

The check fraud mitigation toolkit was developed by the Federal Reserve to help educate the industry about check fraud and outline potential ways to help detect and mitigate this fraud type. Insights for this toolkit were provided through interviews with industry experts, publicly available research, and team member expertise. This toolkit is not intended to result in any regulatory or reporting requirements, imply any liabilities for fraud loss, or confer any legal status, legal definitions, or legal rights or responsibilities. While use of this toolkit throughout the industry is encouraged, utilization of the toolkit is voluntary at the discretion of each individual entity. Absent written consent, this toolkit may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.