

REVISITING THE UNAUTHORIZED CHECK FRAUD SCENARIO FROM TOOLKIT MODULE 2

An assessment of a check fraud claim may highlight the distinct attributes connected to a fraud event or opportunities to better detect it in the future. The corresponding attributes then can be consumed by fraud models, incorporated into employee training, and formulated into strategies to prevent the likelihood of future success for the specific tactic or scheme.

Diving back into the toolkit module 2 unauthorized party fraud scenario where a criminal had stolen the customer's identity documents and checkbook, multiple attributes of this fraud case can be considered for future fraud prevention and employee training, as shown in the boxes on the right of the graphic.



1

Checks and ID are Stolen

Purses containing IDs and checks are stolen from cars in a parking lot.

Customer notified their financial institution of the ID and check theft



2

Criminal Forges Stolen Checks

The criminal fills out the stolen checks and forges the maker's signature.

Signature does not match known valid signatures

Multi-factor authentication could be used in addition to ID verification



3

Stolen Checks are Cashed

The criminal uses the stolen ID to impersonate the account holder and cash the forged checks.

Records indicate customer's ID was stolen but it is now being used

Out of normal volume and activity for customer



4

Account Holder Files Fraud Claims

Cashed checks are disputed by the real account holder – 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.