

How banks can turn the tide against check fraud



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About the event:

Trace Fooshée, Strategic Advisor from Aite-Novarica's Fraud & AML practice, and Kerry Cantley, VP Digital Banking Strategy at Mitek, share their insights about the acceleration of check fraud over the past several years, how it's impacting customer experience, and strategies that financial institutions (FIs) should take to proactively combat and prevent it.



What we heard

- We know check fraud is on the rise; we saw 680,000 reports of check fraud in 2022 versus 350,000 in 2021
- Check fraud has felt well controlled in the past, however additional attention and investment from banks and financial institutions is required now
- Although check usage is on the decline, the average check value has increased
- Checks continue to be a preferred payment method for a lot of businesses
- With new technologies that fraudsters have access to, it's fairly easy to forge or "cook" a check, and even faster to share check images and stolen personally identifiable information (PII)



How Mitek can help

- Mitek's unmatched expertise in image processing results in extensive datasets that are used to draw impactful insights and build innovative solutions
- To give their customers a competitive advantage, Mitek invests in monitoring fraud ecosystems and collaborates with organizations like DarkTower to flag what is being shared by fraudsters on criminal channels
- Mitek leverages AI and machine learning to score 18 check attributes beyond account data to help with personal information security, fraud protection, and identity theft
- With secure information sharing and data consortiums, Mitek offers a more proactive approach to fraud prevention and detection, similar to how fraudsters share information on criminal channels



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<https://go.miteksystems.com/tide-against-check-fraud>

How banks can turn the tide against check fraud

Q&A: Trace Fooshée and Kerry Cantley

What is fueling the rise of check fraud?

Fooshée: Check fraud is a surging topic in 2023 and is closely related to consumer sentiment of economic conditions. Consumer sentiment around economic conditions hit an all-time low in August of 2022, after a nosedive throughout the pandemic.

Why are checks targeted for fraud, instead of other payment methods?

Cantley: Checks are typically the path of least resistance. Access to bank information and the ability to print a check anywhere is simple and available. Personal data sold on channels like Telegram has increased, which makes creating fraudulent checks even easier. Also, the ability for banks and other FIs to detect check fraud can be complicated and difficult.

Are advances in technology making it easier for fraudsters?

Fooshée: Social media has been around for a long time, and has been used as a tool for disseminating PII and other sensitive information for years. However, the types of information and the severity of the information has increased. Now we see tutorials, success stories, and how-to kits lowering the barrier to entry.

Why has check fraud always been a challenge for financial institutions to detect and prevent?

Fooshée: Banks and other FIs have invested pretty consistently over the years in their ability to detect check fraud, but innovation had been lacking. Now, we are seeing a slight uptick in innovation, but making investment a top priority is still an internal struggle.

What can banks do to make this type of fraud less attractive to criminals?

Cantley: Bringing in new technology, looking at compromised data and trying to incorporate new signals into your fraud prevention. Invest in prevention and detection. Communicate data between institutions to fill the holes in the fraud ecosystem. Fraudsters are always looking for the bank that hasn't closed the gaps, they continually test to find the easier "target".

Are there other payment types that fraudsters are gravitating towards?

Fooshée: Fraudsters are drawn to the path of least resistance -- things that are easy to execute and that don't require an advanced degree of technical proficiency. They want to quickly get the money into an account they can control, so paper checks and faster payment services are prime targets.

Is it harder to track money once it's been moved to another account?

Fooshée: Yes, each time the money is moved it becomes harder and harder to track or trace. According to a recent study in the UK, fraudsters are moving money more than 7x a day (on average) when stealing funds.

Are banks and FIs are prepared for the rise in fraud?

Fooshée: It's tough to stay prepared. FIs and banks need to look very closely at their fraud prevention and detection technology and find a trusted partner to ensure they provide their clients with the best possible customer experience while maintaining high levels of fraud prevention.

Should consumers trust checks or should banks push them away from this particular payment method?

Fooshée: Every payment method has risk, however the nature of the risks are different. We need to have tough conversations with customers on the risk(s) associated with fraud and not avoid the topic. Clients are receptive to this type of conversation.

What can banks and FIs focus on when it comes to fighting check fraud?

Fooshée: A layered defense is the best defense. There are FIs out there that could invest more in different layers of check fraud prevention.

What about advances in technology like dark web marketplaces, AI, etc? What does that do to check fraud in the next few years?

Cantley: Check fraud isn't going anywhere. Check fraud can be tied to account opening, account takeover, etc. Checks will be here for a while, even at a small volume the investment is still important. Banks and FIs need to look for a solution provider who brings in all the signals, the compromised data that is out there for sale by fraudsters, on top of the fraud data captured by the bank.

Are there opportunities to improve check fraud prevention in the branch?

Cantley: There are capabilities out there right now that allow you to use the same prevention across deposit methods. Banks need to consider how they are using image technology and find a good partner who can utilize the same technology that is used on mobile deposit and ATM, in-branch. Also, invest in robust data-sharing capabilities.