

The journey of a stolen check: exposing the fraud ecosystem

CONSEQUENCES

Check Fraud is Up 84%

FINCEN

In 2021, financial institutions filed with FinCEN over 350,000 Suspicious Activity Reports (SARs) related to potential check fraud, a 23% increase over 2020. This upward trend continued into 2022, when the number of SARs related to check fraud reached over 680,000, nearly double the previous year's amount of filings.

Check Theft Ring Faces 5 Years Jail Time

JOE LAW

Check theft can carry different punishments depending on the amount of the check. If the check is for less than \$150, the offense is charged as a second-degree misdemeanor (punishable by 60 days in prison or six months of probation). If the check is written out for \$150 or more, the crime is deemed a third-degree felony which carries with it a punishment of up to five years in jail.

Stolen Checks Lead to Identity Theft

NPR

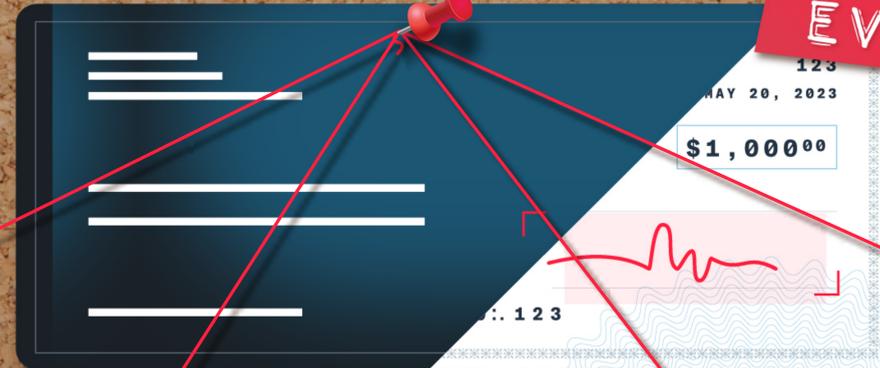
Checks include the name and address information that criminals use as part of identity theft. They can open bank accounts and apply for loans in the victim's name.

Check Fraud Accounts for More Than \$1.3B in Bank Fraud Losses

WALL STREET JOURNAL

In 2018, check fraud made up 47%, or \$1.3 billion, of banks' fraud losses—a jump from \$789 million in 2016, according to a 2020 survey released by the American Bankers Association, a Washington, D.C.-based trade group for the industry. That was closely followed by debit card fraud losses, which accounted for 44%, or \$1.2 billion, in 2018. The figures are the most recent available, according to the ABA.

EVIDENCE



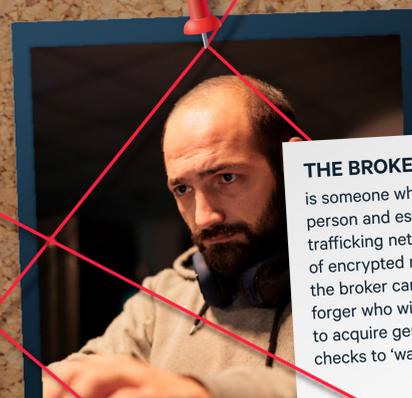
SUSPECTS



Perpetrator

THE INITIAL PERPETRATOR

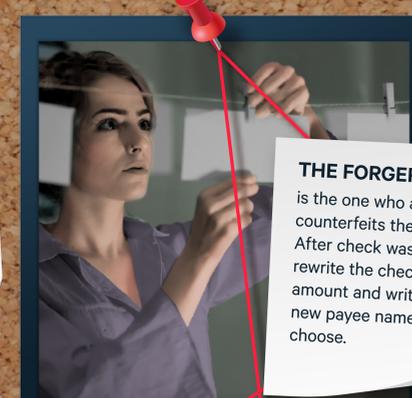
is the check thief and key contributor to the record high rates of check fraud. The proliferation of online platforms and encrypted messaging apps make it easier for them to sell their stolen goods.



Broker

THE BROKER

is someone who acts as a middle person and establishes a check trafficking network. With the help of encrypted messaging channels, the broker can connect with a forger who will be looking to acquire genuine, signed checks to 'wash'.



Forger

THE FORGER

is the one who alters or counterfeits the stolen check. After check washing they can rewrite the check for any new amount and write out whichever new payee name they choose.



Money Mule

THE MONEY MULE OR LAUNDERER

is someone that can cash or deposit the forged check. Fraudsters target individuals that can easily walk into a bank unnoticed.

CRIME SCENES



THE MAILBOX

Mail theft can occur through forced entry or the use of makeshift fishing devices, and increasingly involves the use of authentic or counterfeit USPS [United States Postal Service] master keys, known as arrow keys.



IN HOME

Checks can be stolen from shared mailboxes at apartment complexes or personal mailboxes at homes. Money mules can deposit fake checks on their mobile devices at home.



THE DARK WEB

On the dark web, where encrypted traffic is sent through layers of relays around the globe, it is easy to hide behind anonymity and transact with other criminals looking to buy or sell stolen data and checks.



THE BANK

Money mules deposit fake checks into their own accounts using ATMs or with a teller at the bank. Sometimes they set up a new account with fake documents - making it harder for law enforcement to track back to the person.

Learn more about the journey of a stolen check and how Mitek's Check Fraud Defender is solving this problem for top US banks.

