

How Stolen Checks are Fueling Check Fraud

The Growing Challenge of Check Fraud

Check Fraud Facts



Check fraud is on the rise



Stolen and altered check deposits are hard to detect



Check fraud is resulting in big losses



A surge in mail theft is fueling check fraud

In 2022, banks saw **an 84% increase in check fraud**, costing consumers an estimated \$815 million. ¹

84% increase



SARs related to check fraud nearly doubled from **350,000 SARs** in 2021 to **680,000 SARs** in 2022. ²

Nationwide Surge in Mail Theft-Related Fraud Schemes

Mailbox Fishing:

When mail thieves root through mailed letters for checks they can alter and fraudulently cash.

“Despite the declining use of checks in the United States, **criminals have been increasingly targeting** the U.S. Mail since the COVID-19 pandemic to commit check fraud.” ²



Check Types Targeted by Criminals



Personal Checks

Tax Refund Checks

Business Checks

Government Assistance Checks

Business checks may be more valuable because:

- Business accounts are well-funded
- May take longer for the fraud to be noticed



How Fraudsters Obtain and Use Stolen Checks

- Step 1:** A bank customer writes a check and drops it in the mail.
- Step 2:** Fraudsters fish it out of a mailbox or steal checks to alter the check via:



Check washing



Counterfeit checks



Identity theft

Deposit Fraud Tied to Stolen Check Fraud ²



Criminals deposit checks via ATMs or remote deposit into accounts they control, used specifically for check fraud schemes



Criminals rely on money mules and their pre-existing accounts to deposit fraudulent checks



Once deposited, funds are rapidly withdrawn via ATMs or wired to other accounts to further obfuscate the money trail

The Power of Nasdaq Verafin's Consortium Analytics in Fighting Stolen Check Fraud



Consortium Analytics links the in-clearing check to deposit fraud risk at the depositing institution, within the Nasdaq Verafin network.



A fraud alert on the deposit side triggers a notification to the in-clearing financial institution that a check drawn on an account is likely stolen.



Analyzing both the deposit side risk and the check withdrawal risk provides a complete picture of check risk.



Sources:

1. United States Senate, https://www.banking.senate.gov/imo/media/doc/check_fraud_aba_letter.pdf
2. FinCEN, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Mail%20Theft-Related%20Check%20Fraud%20FINAL%20508.pdf>

Visit verafin.com

to learn more about Nasdaq Verafin's Check Fraud Solution

Contact us today to learn more about Nasdaq Verafin's Fraud Detection and Management, AML/CFT Compliance and Management, High-Risk Customer Management, Sanctions Screening and Management, and Information Sharing solutions. Legal <https://www.nasdaq.com/legal>

1.877.368.9986 | info@verafin.com | www.verafin.com

