

FRAUD PREVENTION

Early Warning Service Lowers Number of Chargebacks And Helps Identify Potential Fraud Faster

Decreasing fraudulent check activity was the reason why Fort Worth City Federal Credit Union contacted Southwest Corporate Federal Credit Union about its DEPOSIT CHEK® Inquiry Early Warning® Service. What management at the \$103 million credit union didn't realize was that implementation of the service would actually boost its member education efforts.

DEPOSIT CHEK Inquiry provides next-day notice of potential returns on deposited items from a database of returns and problem accounts updated daily by a multitude of the largest financial institutions in the United States.

"We were having chargebacks in some pretty healthy amounts, particularly with cashier's checks," said Tina Potts, the credit union's vice president of member service.

"With the DEPOSIT CHEK service, probably in combination with our teller training, we have actually experienced a decline in the number of chargebacks," she said.

Here's how the process works: Each day, MICR data transmitted from Fort Worth City's deposits to Southwest Corporate is run through a database that contains status on millions of accounts, records on millions of stop payments and records of more than a million negative accounts and counterfeit items. Early the next morning, the credit union

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receives warnings of high-risk transactions from the previous day, categorized as "hard", "soft" or "informational" hits, as well as notice of returns processed that match items deposited at the credit



Fort Worth City Credit Union Fort Worth, TX Total Assets: \$103,000,000

union in the last 10 days. Additionally, the report includes the routing number, account number and short name of the financial institution that reported the warning, and the percent probability of return.

"Fraud is so rampant in our society today that we've actually publicized the DEPOSIT CHEK service to our members. If members are unsure about a check, they can have us run it through to see what code it receives."

"A by-product of the service is that the physical act of reading the check creates a 'teachable moment,' or an opportunity to educate members. Tellers now will ask, 'How did you acquire this cashier's check?' If the member says they got it free on the Internet, that's a hint some member education is needed."

Fort Worth City believes the cost of its program, around \$200 per month, is a reasonable investment for enhancing the security of member funds and opening the door to member education by its staff.

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southwest corporate

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