**Independent Banker**

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**Columns**

**[tag] From the Top**

**[hed] Conquering check fraud one check at a time**

**[quote]** “Requiring solutions like Positive Pay, offering ongoing education and putting caps on the size of checks that can be deposited remotely are all strategies that can help mitigate our risk.”

**[body]**

We haveseen check fraud ramp up over the past two years. Fraudsters have turned their attention to check rails, reintroducing older forms of attack. And check imaging drove the shift.

When you’re looking at a physical check, there are clear fraud markers. But with imaging, it’s more complicated to assess the veracity of what you’re seeing—and fraudsters know it. They recognize how to game the system and have figured out it’s harder to catch it.

At this stage, most of us have experienced the effects of check fraud. At my community bank, we had a business customer get hit for $30,000 at the end of 2023; the fraudster had simply altered the payee and amount. That constituted significant financial damage for the business and, ultimately, a loss for the bank when we made the decision to make them whole.

Further compounding the issue is the fact that in these scenarios, the bank of first deposit is most commonly one of the nation’s largest banks. The bank of first deposit holds the liability for check washing and other major forms of check fraud because they warrant that the check is authentic. It’s their customer depositing a check on our customer’s account. Yet, when we submit a Uniform Commercial Code warranty claim, we either can’t track down the right person, get ignored or are dismissed by lawyers.

ICBA continues to work to support us on this front by connecting us with industry organizations like [Nacha](https://www.nacha.org/rules/ach-contact-registry) that maintain directories to help us find the right contacts, offering solutions like the [check fraud guide](https://www.icba.org/advocacy/articles/check-fraud-a-practical-guide) ([icba.org/advocacy](https://www.icba.org/advocacy/articles/check-fraud-a-practical-guide)) to help us make our cases, and convening community bankers in a check fraud task force—which ICBA launched in March—to address these issues on behalf of the community.

However, our best defense remains a good offense. We must continue to focus on helping our customers thwart fraud in the first place. Requiring solutions like Positive Pay, offering ongoing education and putting caps on the size of checks that can be deposited remotely are all strategies that can help mitigate our risk.

But a word of advice: When you’re communicating details of your fraud mitigation strategies to your customers, anything you post publicly will also be seen by fraudsters. Don’t publicly share the specifics of limits and other points of your strategy unless you want to start seeing forged checks circumventing those safeguards.

It boils down to this: In today’s banking landscape, we need to be ever vigilant. Fortunately, we have ICBA in our corner to help us do just that.

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[sidebar] *My Kids’ 3 best Halloween costumes*

Check fraud’s not the only frightening thing bubbling up this month: It’s also Halloween season. Here are my boys’ top three favorite costumes:

1. Pirate’s parrot
2. Cowboy
3. Ninja