



Photos by CUNA Mutual Group

Foreign devices to watch out for include (from left): skimmers installed directly on ATMs, hand-held skimmers, and cameras installed on brochure holders.

About **90%** of CUNA Mutual Group's paid plastic card claims in 2010 involved some form of skimming.

Watch Out For ATM Skimming Devices

ATM's are prime targets for cybercriminals looking for access to quick cash. One of the most common methods of stealing money is by installing skimmers into ATMs to steal member card data and commit fraud. Skimming is a counterfeiting technique. To pull it off, fraudsters copy encoded account information from the magnetic stripe of a valid card onto the magnetic stripe of a counterfeit card, according to Visa.

When a member unknowingly swipes a card through a skimmer installed on an ATM, the device captures all the magnetic stripe data. This happens all too often. To a member's untrained eye, it might appear nothing is wrong or out of place on the ATM.

If you're responsible for inspecting your credit union's ATMs, be on the lookout for anything different or unusual. Inspect the machines regularly. If your credit union services and replenishes its own ATMs, take a few extra seconds to inspect the front of each ATM for any foreign devices—such as skimmers, shoulder cameras, antennas, and other devices.

If your credit union uses a third-party vendor to replenish cash, retrieve deposits, and service ATMs, include these ATMs in your regular inspections. If you notice any foreign devices on or around any ATM, notify your supervisor immediately.

Skimming continues to be a significant threat to the entire financial services industry. About 90% of CUNA Mutual Group's paid plastic card claims in 2010 involved some form of skimming, according to CUMIS Insurance Society Inc.

Inspecting ATMs is one of many important functions front-line staff fulfill in protecting credit unions and serving their members. The cost of complacency can be significant, which is why you need to be informed and alert to these exposures. Following these simple inspection recommendations will help protect members and minimize your credit union's fraud and compliance risks. ▶

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Credit Union National Association

Check for Proper ATM Signage

In addition to preventing fraud, regular ATM inspections help to minimize regulatory compliance risk.

If your credit union charges non-members a fee for using its ATMs, Regulation E requires that a fee notice be posted on the ATM. Although the fee amount doesn't

have to be disclosed on the notice, the amount must be disclosed on the terminal screen and on the transaction receipt.

Violations of this regulation could result in fines as high as \$500,000 for your credit union, plus attorney's fees. Several class-action lawsuits

alleging these types of violations were filed against credit unions in 2010.

Like skimming fraud losses, losses from fines and noncompliance costs are avoidable. Regularly inspect the fronts of all ATMs—both proprietary and third-party—to ensure proper signage is posted and updated. ■

Help Members Grab Low Mortgage Rates

The mortgage market might be on the cusp of an upswing. Mortgage interest rates are still at or near historic lows, but they're likely to start climbing this year. While rates are still low, remind members about refinancing and applying for home equity loans and first mortgages.

While approximately a third of U.S. adults are credit union members, credit unions hold in portfolio only about 3% of the mortgage market, according to CUNA's economics and statistics department. To increase your credit union's portfolio, share information about mortgage products with members whenever appropriate.

Consider these talking points:

- ▶ **Establish home ownership.** Find out if the member owns a home. Check credit bureau information to see if a mortgage is listed. If not, the member might fully own a home. If you don't know, simply ask.
- ▶ **Discuss appropriate products.** If the member owns a home, share your credit union's home equity line of credit rates, or ask if the member has refinanced lately. Some members might not have enough equity to refinance or take out another loan. But you'll never know if you don't ask.

▶ **Know your credit union's rates.** Mortgage interest rates are often the most important factor to consumers when deciding where to obtain a mortgage. In the current economic climate, trust in a financial institution is a close second.

It's your responsibility to be knowledgeable about your credit union's mortgage rates. But you must also be a trusted financial advocate for members. Even if your credit union's mortgage rates are slightly higher than those of the big bank around the block, trust can make the difference in getting a mortgage application, or not.

▶ **Ask meaningful questions.** Ask if members are interested in taking advantage of current historically low rates. Do they have home projects they'd like to finance? Can they use the equity in their homes to help finance a child's college tuition or another large expense? Ask meaningful questions so you can help them as much as possible.

While it's good news that the economy is improving, interest rates will start to climb. Remind members about your credit union's mortgage products and inform them about historically low rates. Recommend that they meet with one of your credit union's



mortgage representatives to take advantage of low rates while they still can. ■

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SCRA Provisions You Need to Know

In 2003, the Soldiers' and Sailors' Civil Relief Act of 1940 was updated. The newer act—the Servicemembers Civil Relief Act (SCRA)—clarifies and revises the original measure.

While you might not deal directly with SCRA provisions, you need to know the basics about the act, which protects and provides relief of financial hardships for members of the U.S. Armed Forces during periods of active-duty service.

Chase Bank recently received negative media coverage for overcharging nearly 4,000 military families on their mortgage payments. Your credit union does not need this type of media coverage.

To help your credit union provide appropriate, considerate service to these members, here are answers to commonly asked questions:

Q. Who's entitled to receive the act's benefits and financial protections?

A. The provisions apply to members in the military service of the United States. This includes enlisted and officers of these branches:

- ▶ Air Force;
- ▶ Army;
- ▶ Coast Guard;
- ▶ Marines; and
- ▶ Navy.

It also includes:

- ▶ **Commissioned officers** of the National Oceanic and Atmospheric Administration;
- ▶ **Commissioned officers** of the Public Health Service Active duty;
- ▶ **Activated reservists;** and
- ▶ **Deployed members** of the National Guard.

Q. When do benefits of the act begin for a servicemember?



A. Protection begins on the date the member receives his or her orders to report for active-duty military service.

Q. When does the interest-rate reduction provision apply?

A. The main provision of the act requires credit unions to reduce the interest rate on outstanding loans to 6% or less for the servicemember or the servicemember and spouse jointly. This applies to all loans the servicemember obtained from the credit union prior to the date he or she was called to active-duty service. It includes mortgages, credit cards, auto loans, and signature loans. The benefits don't apply to loans or advances obtained after the member entered active-duty military service.

Q. When do the act's provisions end for a servicemember?

A. The benefits generally terminate after the date when active-duty service ends, or when the servicemember is discharged from active duty. However, if the debt is a mortgage, the 6% cap must remain in place for one year beyond the period of military service. (Note: The Housing and Economic Recovery Act of 2008 extended the SCRA's 6% interest-rate cap for one year beyond the period of military service, if the debt is a mort-

gage, trust deed, or other security in the nature of a mortgage.)

Q. Does the interest-rate reduction provision apply to active-duty members of the military deployed overseas?

A. No, the key phrase is "active duty." SCRA applies to members who go from civilian status to active-duty military status. Members on active-duty status who are then deployed overseas aren't eligible for the interest-rate reduction on loans obtained while on active-duty status.

Q. What documentation is the servicemember required to provide the credit union to obtain the benefits?

A. SCRA requires the servicemember to provide creditors with a written notice and a copy of the military orders calling the servicemember to active duty, and any orders further extending military service. The servicemember, however, has up to 180 days after separation from active service to notify the credit union of a request to obtain benefits under the act.

For more information on the SCRA, visit cuna.org/compliance/member/eguide. ■

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ABOVE & BEYOND

Our Community Credit Union, Shelton, Wash., posts a monthly internal newsletter acknowledging exceptional member service. Cheryl Stewart, vice president of policy and regulatory compliance, shares a story of an employee who helped stop fraud and calmed a member's fears.

Liz Monger, member financial specialist, did a great job, says Stewart. "I include her entire e-mail because it illustrates how convincing some of these crooks are, and how intimidating they can be." In Monger's words:

I just had a young female member come in in tears because she got a phone call from "Easy Cash" saying she owed them a little over \$400 for payday loan fees. She has taken out a couple of payday loans, but never through this company. She asked to be put on the phone—"Angela Anderson—what the chances were for and was told not to call a number."

"Angela" proceeded to say our member don't fax Easy Cash a written letter with the address, full Social Security number, credit card number, expiration date, the check, routing number, account number, and the amount she can "pay today" (with a follow-up date when Easy Cash can take the next payment), then Easy Cash would sue her.

"Angela" said she knew the member could pay some of the fees and that if she didn't pay, the member had to fly down to San Diego to appear in court. If she didn't

show up, there would be a warrant out for her arrest.

Our young member came in with the letter, with tears in her eyes, and wanted to fax it to these people. On the letter was listed everything they'd requested. I asked her what was wrong and she explained the story...clearly fraud. I told her, "No legitimate company is going to talk to you like that, and they're especially not going to send you to jail for a \$400 balance."

I pulled a "rip-off report" and there were eight similar stories within the past few days. I listened to eight voicemail messages and they're totally bogus. One fraudster's name was Tim Smith. He had a heavy accent, and it almost sounded like he was talking into one of those voice-changing devices. It's a really creepy message and it's super threatening. It basically says, "call me back and take care of this bill or we're going to sue you and put you in jail."

The number "Angela" told our member to call back is 760-933-1509, which I've been trying to call all day. I keep getting silence (no ring, no answer, no busy signal, no machine). If you Google the phone number, the first thing that comes up is *whocallsme.com*, and it lists two stories with similar strange conversations.

I'm pretty sure our young member understood that this is a scam and she won't be giving these people any information. But in case anyone else calls you with a similar story (if they haven't already), I wanted to make sure you knew about these people.

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