

Recognizing Emerging Fraudulent Practices

S1317

FIRST EDITION

Written by Laura Town

Center for Professional Development
Credit Union National Association, Inc.

Copyright © 2008
Credit Union National Association, Inc.

Stock No. S1317M

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the copyright owner.

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1



Credit Union
National Association
Professional Development

With respect to the content of this publication, neither the Credit Union National Association, Inc. (CUNA), nor any of its affiliates or its or their respective employees, make any express or implied warranty or assume any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, commercial product, service, process, provider, vendor, or trade name/mark that is disclosed. References to any specific commercial product, service, process, provider, vendor, or trade name/mark in this publication also do not necessarily constitute or imply that such product or provider is endorsed, recommended, or warranted by CUNA. The views and opinions of the authors expressed herein do not necessarily state or reflect those of CUNA, and such reference shall not be used for advertising or product endorsement purposes.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher, Credit Union National Association, Inc., is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

Table of Contents

Acknowledgments	v
About the Author	v
Preface	vii
Chapter 1: Introduction to Recognizing Emerging Fraudulent Practices	1
Chapter 2: Cyber Fraud	9
Chapter 3: Plastic Card Fraud	21
Chapter 4: Other Types of Fraud	29
Chapter 5: Security Technology	39
Chapter 6: Best Practices	51
Appendix A: Answers to Activities	59
Appendix B: Glossary	65
Appendix C: Resources	69
Appendix D: Test Questions	73
Index	81

Acknowledgments

The author would like to thank the following for their contributions to development of this module:

- Cindy Corliss, copyediting and indexing, Bookworm, Inc.
- Marg Sumner, proofing, Red Ink Editorial Services, LLC
- Courtney Cantwell, Instructional Designer, CUNA
- Marlo Foltz, Director of Blended Learning, CUNA
- Amy Domaszek, Learning Technology Coordinator, CUNA

About the Author

Laura Town, owner of WilliamsTown Communications, is a full-time professional writer with experience developing educational materials for a wide range of science, financial, and economic subject matter. Recently, she co-authored the text, *Finance* published by John Wiley and Sons.

She has co-authored several textbooks and has contributed to dozens of works in the higher education and professional development markets. Working with leading publishers, her firm has composed the content for online college courses and professional training programs. You can visit her Web site at www.willtown.com

Preface

About These Modules

The STAR modules are not intended to provide legal advice, and we do not guarantee the information is appropriate for all state-chartered credit unions. If you have any legal or policy questions, contact your credit union president or your credit union league.

How to Use This Module

If you are participating in a seminar, your instructor will get you started.

If you are completing this module through correspondence study, please follow this procedure:

1. Read the chapter opening objectives to get an idea of what's ahead.
2. Read the text. Complete the activities as you read each chapter. (Answers for many of the activities are included in the appendices.)
3. When you have read the text and completed the activities, take the competency test.

If you are sight-impaired and choose to have this module read to you, we suggest that a spouse, partner, friend, or volunteer from your credit union or credit union league assist you. You can also check with your local library regarding reader services available in your community.

Competency Test Instructions

Each module in the STAR program has a competency test of 40 multiple choice questions. To successfully complete the module, you must correctly answer at least 32 questions. You can refer to the text as you take the test, but the test must be completed individually.

If you are participating in a seminar, your instructor will provide directions. If you are completing this module through correspondence study, please follow this procedure:

1. Locate the test questions in the last appendix of the text.
2. Find a quiet place where you can work undisturbed and at your own pace.
3. Record your answers on the answer sheet that was mailed to you along with the text. Follow the instructions on this sheet for marking answers.
4. Complete the identification section on the answer sheet and make sure you have marked an answer for each question.
5. Mail the scannable answer sheets to CUNA's National Processing Center in the envelope provided. Mail competency test answer sheets to your league education department.

Course Requirements

Core Courses Required for All Tracks

choose one of these modules { S1304 Introduction to Credit Unions and { S20 Member Relations
A1004 Introduction to Credit Unions S30 Security


Tracks	Track Modules
Member Services	S100 Money and Negotiable Instruments S110 Member Services S120 Cross-Selling
Consumer Lending	S200 The Lending Process S210 Lending Products and Regulations S220 Collections
Credit Union Accounting	S300 Basic Accounting S310 Accounting for Credit Unions S320 Credit Union Financial Analysis
Advanced Lending	choose one of these modules { S400 Bankruptcy and Court Proceedings A1006 Bankruptcy and S410 Mortgage Lending S420 Loan Marketing
Credit Union Sales	choose one of these modules { S1305 Credit Union Sales A1002 Credit Union Sales and S500 Improving and Maintaining Quality Service S520 Interpersonal Skills: Understanding Your Impact on Members
Technology	choose one of these modules { S630 Critical Role of Technology A1009 Critical Role of Technology and S600 Credit Union Technology S620 Serving Members with Technology
Loan Officer	S700 Loan Interviewing S710 Loan Underwriting S720 Loan Servicing
Savings Plus	S800 Opening New Accounts S810 Individual Retirement Accounts S820 Investment Choices for Members
Credit Union Security	S900 Preventing Fraud S910 Security Issues
Professional Development	S1000 Develop a Career Plan S1010 Write Effectively S1020 Make Work Manageable
Member Services II	S1100 Working Effectively with Difficult Members and Staff S1110 Helping Members Understand and Solve Problems S1120 Using Technology to Improve Member Service
Financial Management	S1200 Financial Management I: Statements and Budgeting S1210 Financial Management II: Sources/Uses of Money
Presidential Series	S1300 Member Services: Exceeding Expectations S1301 Financial Counseling S1302 Transitioning from Staff to Management S1303 Communication and Telephone Skills S1304 Introduction to Credit Unions S1305 Credit Union Sales S1306 Business Math: Lending and Credit S1307 Business Math: Share and Deposit Accounts S1308 Professional Member Service S1309 Security Procedure Protocol S1310 Successful Collections S1312 Servicing Mortgage Loans S1313 Preparing Loan Documents S1314 Maintaining Loan Documents S1315 Reconciling Records S1316 Applying Collection Practices S1317 Recognizing Emerging Fraudulent Practices S1319 Aligning Your Department with CU Strategy S1320 Robbery Prevention and Preparation

Icons and Play Pages


Throughout this module you will see a variety of reference icons. Each icon represents a corresponding activity or exercise that will enhance each chapter. The purpose of the activity or exercise is to allow the participant to apply a corresponding concept or theory presented in the chapter.

Each icon may also be referenced as a “play” activity. That is our goal—to encourage you to play, and at the same time learn about the major concepts covered here.


resources




Activity: An interactive exercise to further your knowledge.




Calculator: A flash calculator to aid in your calculations.




Community Chat: A chat room where you can discuss content with others taking the module.




Field Trip: An additional resource located outside the module (for example, an instructional video).



Knowledge Check: A practice activity to test what you have learned.



Resource: Additional resources and information on the topic.



Timeline: An interactive timeline to learn more about the history of this topic.

In addition, the “Play Page” is a place to experience some of the interactive, online learning activities available in CUNA’s CU Advance courses.

To access the Play Page for this module, go to <http://training.cuna.org/playpage/index.html> or go to www.cuna.org and type “Play Page” in the Search Box. Select the title of this module, and then the chapter you want to review.

Enjoy!

x

RECOGNIZING EMERGING FRAUDULENT PRACTICES