

**Harland Clarke CheckAssure™ Webcast 06-11-2015**  
**Fraud Rehab for Your Best Account Holders**  
**TRANSCRIPT**

**Presenter:** Debra Corwin, Vice President, Security Solutions Product Marketing, Harland Clarke

**Presenter:** Laura Bruck, Vice President, Marketing & Solution Strategy, EZShield Fraud Protection

**Matt:** Good morning and good afternoon, welcome to the webinar. Today's topic is Fraud Rehab for your Bank Account Holders. This webinar is being recorded, and will be provided to you along with the presentation deck in a few days. I will now turn the call over to Debra Corwin, Product Manager with Harland Clarke. Ms. Corwin you have the call.

**Debra:** Well thank you.. Welcome to our session today. I am the Vice President of product marketing for the security solutions here at Harland Clarke. And we were pleased that you joined today for our discussion on fraud, how it impacts your account holders, and some of the things you can do about it. You know Harland Clarke already, you know who we are, and you know we're a security conscious company across all aspects of our business, and our clients business. And we know fraud is a problem for you and for your account holders.

I'm working today with Laura Bruck from EZShield. We want to shed some light today, specifically on check fraud, and we'll address the impacts and the cost of fraud, but more importantly we'd like to address the account holder experience when fraud does happen, and the damage it could cause you. There are solutions designed to reduce the damage, and even turn a negative situation into a customer loyalty opportunity. So Laura's one of our valued service providers, and I'd like her to introduce herself now as I pass the call to her, Laura.

**Laura:** Great, thanks Debra, thank you. So as Debra said I'm with EZShield, I'm the Vice President of marketing. EZShield, let me just tell you a little bit about EZShield before we get started. We've been providing fraud protection since

2001 when we introduced check fraud protection, which is a service to assist in the resolution of check fraud. Today EZShield provides a full suite [0:02:00.6] of fraud and identify theft protection. In fact EZShield has been awarded Javelin's best in class award for identify theft protection for two years running. We provide these services through partnerships with great companies like Harland Clarke, and ultimately through financial institutions, which is where customers have indicated that they want to get their fraud and identity protection.

So today we hope to give you a brief overview of identity crime, talk about the current state of check fraud, and then look at solutions to the problem of check fraud, and how these solutions can benefit your financial institution, as well as how they can benefit your account holders. So let's start with looking at identity crimes. One of the things that we like to do before we get into too much detail on check fraud, is to level set and define fraud in terms of identity crimes. We break identity crimes into three distinct categories. The first one is lost or stolen personal information, the second is payment fraud, which is where check fraud fits in, and the third is identity theft. Let's go ahead and look at some examples of each one.

Starting with lost or stolen personally identifiable information which is PII. PII could be credentials, documents, accounts or devices that are compromised. - I think we've probably all gotten some notification in the last year or so that we've been a breach victim because of a prevalence in the retail space. Those are broad sweeping times when those PII credentials are exposed. But on the smaller scale you could have a lost mobile phone, you could have a lost wallet, or you could simply lose a check, or your checkbook. And at that point fraud has not happened but you are at risk, and we want to be proactive at that point in time. The next is payments fraud, so this is the use of a victims financial vehicles to then steal funds. So, an example would be using a stolen ATM or debit card to make unauthorized withdraws, or using a stolen check to again make unauthorized purchases.

And then finally identity theft. Now somebody is taking the victim's name, along with their social security number, or other personally identifiable

information, to take out a loan in the victim's name, sometimes you hear it referred to as new account fraud. They could be opening a bank account or a credit card in the victim's name, and sometimes it's not around payments, and it could be filing taxes, or filing for medical benefits using that person's name and social security number. With those examples in place, I'm going to go ahead and turn the presentation back over to Debra, to talk about the current state of check fraud.

**Debra:** Thank you Laura. And that is the payment fraud category that you referred to. Looking at the chart here on the screen, every year the association for financial professionals, you know we call them the AFP for short, they survey their member base of over 6,500 treasury and finance professionals. And these professionals represent all sizes of organizations with various products, different services. But all these organizations have payment relationships with financial institutions like yours. And in their 2015 report, it's called the fraud payment report, it was just released in April, so it's really good new information. You'll see of the five payment methods that are surveyed, you can see them on the chart; checks, corporate and commercial credit, wire transfers, debits, and credits.

Checks by far is the most challenging to these organizations. The bars on the graph at the left that states 77%, actually 82% for the higher revenue businesses and 66% for the lower of these organizations were subject to an attempted or an actual check fraud. And noted in that same AFP survey, while payment fraud was unchanged for most of the organizations, that green part of the pie, over a quarter of those surveyed experienced an increase in payment fraud from 2013 to 2014. So it's not going away, it's alive and well. And not illustrated in these charts, payment fraud does add significant cost to running these organizations, to running their business, and those costs impact the financial institution relationship as well, and that impacts you.

Let's look again at checks as a part of that payments fraud environment. We're still referring to a Javelin survey back in 2011, it was called the state of the check. And that survey noted that this payment method, checks, was the big target for committing payment fraud. And unfortunately that has not

changed, checks continue to be a preference for fraudsters. And this poses a real problem, because while the average transaction value across the different payment methods, you can see credit and debit cards, is really pretty low. Checks stand far apart and present a much higher, in fact the highest risk for financial loss, exceeding \$1165 dollars on the average. And to summarize, checks are used and when they are written they are for a higher dollar amount compared to debit and credit.

And I think of my own personal life, you know when I pay my bills I am a check writer, I use them to pay the mortgage, the insurance, credit card which is a summary of all those other smaller purchases that I make. So when checks are targeted for forgery, for alterations of the amount, for altering the payee name, for fraudulently endorsing it, or signing a check, that loss is likely to be significantly greater than any other payment method. And this is important to know, because the people who write checks are actually the most valuable ones to your business. These are important account holders to you, they prefer checks, it's how they learn how to manage their money originally, they're good money managers as well. And you want to help these account holders feel comfortable about writing checks, it's how they manage their life.

We don't want them to be afraid of using their checkbooks or writing checks. We've been talking about the fraud impact on businesses and organizations in these earlier slides, let's shift now to how the check fraud directly impacts the financial institution. Nielsen was commissioned recently to complete a study on check buyer behavior. And there's loads of good data from this study, in fact Harland Clarke is going to be sharing the complete results of the survey in two weeks, we'll be posting it on our insight center, it's at [HarlandClarke.com](http://HarlandClarke.com). This study provided a view of check writers and their behavior as it relates to their checking accounts specifically.

In this chart first you can compare the age groups, there's three. And when Nielsen measured the check usage by each of these different age groups two things became clear, that the higher the income the more checks were used. And that's really regardless of age, the green bars are check usage. And the

older in age the individual is, there is a significant increase in the actual use of the checks, their use of their checking account and checks. These higher income individuals are the types of account holders that banks and credit unions really look for, these are your best customers. And when check fraud happens to this important account holder, well Laura actually has some stats and data what happens when someone has check fraud so I'll let her give that.

But for now it's just important for all of us to help those who prefer to use checks, to feel that checks is a safe payment method, it's our job to help them feel secure. I've been referring to statistics about the payments environments, and clearly we see checks as a preferred method of payment, but it's also a preferred target for fraud. And we ask ourselves if we, as providers of checks, financial institutions and Harland Clarke, are we doing enough to address this situation. And when the BAI presented this data a few months ago from their twice a year survey of their banker panel, they asked, what bankers say about check fraud. So looking at this page, certainly the debit and the ATM fraud ranked as the highest concern, you can see that blue line on the left side there, but there in the fifth position of concern is checks.

And when those same bankers are asked about the fraud loss of those checks or of those different areas, checks moved up into that second place. So you ask, is the financial services industry, are we doing enough to address the check fraud and the impact on the account holders? What we've not addressed is how that impacts the account holder themselves, and what is the customer point of view when fraud occurs. So Laura has some data to share and I'll let you take over to show the customer point of view.

**Laura:** Great, thanks Debra. So check fraud can be overwhelming and damaging, but not just for your FI. I'd like to ask you to take your FI hat off for just a minute, and let's look at the impact that check fraud could be having on your account holders, and what action they may feel forced to take. So check fraud can cause account holders to change their financial institutions and how they make payments. In the recent Javelin fraud study they asked consumers this question, as a result of being a fraud victim are any of the following

statements true. And the yellow bar indicates the answer provided by victims of checking accounts or check fraud, as compared to the green bar which is those that had credit card fraud. So for those that had checking account or check fraud, 18.50% switched their primary bank or credit union as a result of fraud. 22% no longer bank online, and 27.50% switched their form of payment.

On top of that when you look at the resolution times for checking account or check fraud, it's not surprising that consumers had such a strong reaction. Check fraud can take two and a half times longer to resolve than credit card fraud. Now of course if you look at the account takeover or the new account fraud, again that's where we reference identity theft, the numbers rise even more. Which is just another reason that we collectively need to make sure that the fraud event is resolved and isolated, so that we don't let it lead to identify theft or continued fraud events. So at the end of the day we really want to look at how do we stay ahead of the curve when it comes to fraud. It's time to be proactive and be prepared for the added burden of responding to fraud, and create a positive customer experience that really puts your customers mind at ease.

What's critical is that when you view check fraud, you view it as a customer burden. And that customer burden can result in great customer loyalty, if we handle the customer correctly and really put their mind at ease, or it could result in customer attrition, and that's what the study is telling us. So that choice is really ours, and we really need to figure out what are the solutions where we can work together to create that customer loyalty. So with that I want to introduce a solution. So we discussed the problem, and we want to put this turnkey simple solution in front of you. Check Assure is a white glove check fraud recovery service for your checking account holders. It provides additional check fraud recovery support to your internal team, while generating revenue for your financial institution with every check order. So you can restore your customers trust and confidence in your financial institution.

Let's go ahead and take a look at the benefits for your account holder. Check Assure is a part of the personal check product, and offers account holders peace of mind knowing that fraud recovery support is available. It offers 12 months of dedicated assistance from certified fraud recovery specialists. A certified specialist is assigned to work on the account holders behalf, they can sign a limited power of attorney, and Check Assure specialist can do the heavy lifting of disputing charges on their behalf. Check Assure also includes a 72 hour advancement of funds lost from fraud, and both of these benefits are particularly helpful in instances of inter bank check fraud, where the process can slow due to the need to dispute liability with the depository bank.

In addition this service also provides no cost check replacement, which allows us to get involved with the account holder at the first stage of identity crimes, and help prevent fraud by proactively replacing the checks in the event where they have a new account number, because they're being proactive and closing their account, and getting new checks, and that's going to happen at no cost to you or your account holder. Going back to the identity crimes chart that we started with, it's about resolution but at the same time it's about being proactive, in wherever we can, helping that customer be preventative. What we want to do is give you some examples of how Check Assure is going beyond your financial institutions resolution process.

After the discovery process is complete, the Check Assure team will review all their other accounts, online accounts, password management and security, and help ensure that the account holder is not at risk of continued fraud. The Check Assure specialist will review social activity, help place fraud alerts, pull and review their credit report, and continue through a 32 step process to ease the account holders mind, and ensure they're not at risk of additional fraud. This 32 step process as I said is really left at that resolution of the check fraud, and more about prevention of future fraud. At this point I'm going to turn it back over to Debra, to talk about how easy it is to put the Check Assure program in place and how it works, and we'll open it up to questions after that.

**Debra:** Alright. Well it is easy; Harland Clarke makes it easy, it's easy to offer all your personal check users this Check Assure service. What happens is Harland Clarke includes Check Assure with your wallet, and wallet duplicate check orders. And at the time they place their order with us, let's say through one of the self-service channels, they'll be advised of the service, and they'll know that they have it. And we also encourage your employees to tell them about the service, at new account opening, or at the time they're placing a reorder for checks. And for certain. the fraud department needs to be ready and to know that when there is an incidence of check fraud, that your fraud department would get that phone number to the check victim, so that they can make a call and begin the recovery service through Check Assure.

Every order with Check Assure will have that informational insert included, so when they have their order delivered and they open up their package, there's a card that says "keep this card in a safe place", it describes the features, it has that phone number on it, and of course we encourage them to always contact their financial institution in case of any fraud. And as a daily reminder, while they're using their checks they'll see the Check Assure logo printed directly on the check next to the date, and I'll tell you that's peace of mind, and that's very easy, because that happens on every order. Before we open that up for questions as Laura offered, Harland Clarke, just wanted to let you know this, Harland Clarke at times surveys check buyers at the end of the online check ordering experience.

And a few weeks ago we began asking a new survey question, it's worded like this, would you be interested in having easy access to a fraud repair agent that could assist you in resolving problems associated with check fraud. Now we'll be collecting this data and reporting on it in a future webcast, but an early view shows the vast majority of people answering this question are saying yes. Including Check Assure would provide those check users with exactly what they're asking for, it would be exactly what they want. So with that, Laura do you have any other thoughts, or any questions coming from the audience?

**Laura:** No, nothing to add at this point, we'd love to open it up to questions.



**Debra:** Okay. We did get one question that came through the chat, I think you were on slide 17 at the time talking about the service. "If we sign up and a customer has check fraud what is the customer experience?"

**Laura:** Sure, I can address that. So Debra you had mentioned a little bit about this, and the reality is the customer could see their insert and call the number directly and reach a Check Assure specialist, which we would begin the process. But the first thing that we would want to do is validate that they had closed their account with their financial institution. So it's definitely a partnership with the financial institution, the other way that it could happen is that they could come into their bank or credit union and report that they have a lost or stolen check, or report that they've had check fraud. And at that point you would close their account, and take care of things on the bank side, and then transfer that customer over to Check Assure.

We would investigate what happened, work with the financial institution, and advance funds as appropriate, look at replacement costs for the checks that were reissued, take care of those sorts of things, and then we would begin the 32 step process. Because once we know that check fraud event is either being disputed and is underway, we also want to make sure that they're not at risk of greater fraud. So things like pulling their credit report, we would begin that process, and really anything that they're comfortable walking through with us we'd walk through, if being on social networks is not something that is part of what they do we skip that step. It's really driven by the customer and their behavior, and what are the things that we can do to help put their mind at ease, and make sure they've had a really positive customer experience.

**Debra:** Thank you. Did have one more while you were talking, it's about checks, why are checks a preferred fraud method, what makes them different. I know from research and from analyzing what happens in check fraud it's a low tech type of fraud, it doesn't take much expense to get into, or to be a check fraudster so to speak. I don't know Laura if you have any other comments on checks being a fraud method?

**Laura:** No, I would just build on what you're saying there in that it is--there's a lot of technology out there that's advancing, like EMV coming to protect the credit card further, and that's going to change the fraudsters in terms of the things that they're able to do to commit their crimes. But their ability to create the fraud event on a check is fairly tried and true. It's an ongoing form of payment that many many customers are comfortable with and count on, and we just need to be able to provide them that peace of mind that there are things that they can be doing to make sure they're not at risk for using that payment method. And then if it does happen, that they have someone on their side to help protect them, and not put them at further risk.

**Debra:** That's right. Any other questions? I don't see any more in the chat right now. Well I certainly want to thank those of you who are attending, and appreciate you understanding and learning about the check fraud, and how we can help rehab those unfortunate fraud victims. They're important customers to you, they're important customers to Harland Clarke, and together we can give them that white glove service. Thank you.