

HELOC Accounts: A fraudster's target



BY CRAIG M. COLLINS – PRESIDENT, FINANCIAL SERVICES

The home equity line of credit (HELOC) has become an increasing target for fraud. Given their infrequent transaction activity, as well as the higher dollar amount available for withdrawal, HELOC accounts have had a significant increase in fraudulent activity over the past few months. It's crucial for banks to implement the same internal controls for HELOC accounts as they have for other accounts.

What is happening?

Fraudsters are obtaining sensitive bank information including routing information and HELOC account numbers. Some of this information comes from public mortgage filings, and many times, the fraudsters are creating counterfeit checks with different accountholder names and addresses. The fraudulent checks often look very different than the real checks. Because these checks are drawn on HELOCs and not standard checking accounts, some banks' current policies and procedures aren't enough. They don't require manual review of HELOC checks (even if they are written for an amount that exceeds the standard threshold amount) which triggers the banks' manual review of checks drawn on standard checking accounts.

What can you do to help mitigate risk?

To start, banks should have a manual review protocol for HELOC checks that are equal to or greater than a certain dollar threshold amount. Criminals are looking for banks that fail to carefully review HELOC checks, and then search for additional HELOC accounts in the trade territory to target. Accounts with large lines of credit and low existing balances are currently being targeted.

What are some areas to modify or increase internal controls?

- Create a signature card for HELOC accounts
- Allow necessary employees access to loan documents to confirm signatures
- Manually review HELOC checks over a certain dollar amount
 - Review high dollar checks to see if anything is out of the ordinary. It may look different than the actual check or have different accountholder information.
 - Compare checks received for processing to other checks drawn on the account, or checks issued on the account.
 - Look at where the check was deposited (the bank and its location). If it's different from where the customer resides, flag it and take the proper precautions, including following up with the customer.

Lastly, it is a great time to continue the education of your customers about the need for them to be vigilant in monitoring their HELOC accounts in the same manner as they do their other accounts.

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