

How fraudsters exploit omni-channel banking—and how to stop them:

3 ways to prevent deposit fraud with predictive intelligence



Executive Summary

Omni-channel banking is now table stakes for banks and credit unions. But as financial institutions (FIs) strive to meet customer expectations for quick and seamless banking experiences across channels, deposit fraud is rising.

Whether it's at the ATM, a mobile app, ACH or the teller window, criminals are staying one step ahead targeting both digital and physical deposit channels with new fraud schemes and tactics.

To prevent deposit fraud losses without disrupting the customer experience, FIs must be able to catch high-risk deposits at the point of presentment—before they can enter the system and cause both financial and reputational harm.

Deposit Chek[®] from Early Warning helps FIs meet this challenge. Powered by predictive analytics and shared consortium data from the National Shared DatabaseSM, the service assesses an item's risk with high accuracy, in real-time—to reduce fraud and improve transaction efficiency.

KEY FINDINGS¹

- In 2023, Deposit Chek[®] helped the U.S. financial system save \$1.76B in total potential fraud loss.
- Six of the top 10 banks in the U.S. use Deposit Chek[®] with Account Owner Authentication to screen new account funding transactions.
- In 2023, Early Warning alerted banks and credit unions to over 2 million potentially fraudulent new account funding transactions.
- An FI with 10 million deposit accounts can expect to save \$57.9M in annual fraud loss with Deposit Chek[®].
- An FI with 5 million deposit accounts can expect to save \$29M in annual fraud loss with Deposit Chek[®].
- An FI with 1 million deposit accounts can expect to save \$5.8M in annual fraud loss with Deposit Chek[®].

\$1.76B

saved in potential fraud loss

6/10

6 of the top 10 banks in the U.S. use Deposit Chek[®]

2 Million

alerts of potentially fraudulent transactions

\$57.9M

annual fraud loss savings



Introduction

Omni-channel experiences are the standard in banking. And consumer expectations are growing. When making deposits, customers want to transact through whatever channel works best for them at any given time. And whether they're adding money to an existing account, transferring funds from an external account, or opening a new account, they want their deposited funds to be available right away.

As banks strive to meet these expectations, criminals are taking advantage of the changing environment. While omni-channel offerings are convenient for consumers, they also provide fraudsters with new avenues for theft. The faceless nature of digital deposit channels, like remote deposit capture (RDC), add to the appeal by providing a layer of anonymity for criminals.

But that doesn't mean in-person fraud schemes have disappeared. Criminals still attempt to deposit or cash counterfeit checks at the teller window. Due to high employee turnover rates at banks, many tellers lack the experience or training to identify fraudulent checks. As counterfeiting technologies have advanced, even seasoned employees may struggle to spot fake checks.

According to a 2024 report by Datos Insights,² deposit fraud losses have surged in recent years. A significant percentage of financial services companies reported increases in deposit fraud losses between 2021 and 2023, specifically:



Trending deposit fraud tactics

According to the Financial Crimes Enforcement Network (FinCEN), the number of check fraud related suspicious activity reports doubled from 2022 to 2023, with more than half of North American FIs reporting double-digit increases in losses.³

Many deposit fraud schemes involve counterfeit checks and exploit FIs' efforts to provide customers with convenient banking options and fast access to their deposited funds.

Here are a few growing trends:

Overpayment scams:

A scammer poses as a buyer and sends a counterfeit check to the victim (the seller) for more than the agreed-upon amount. The scammer then requests that the victim return the excess funds, claiming the overpayment was a mistake. By the time the FI discovers the check is fraudulent, the damage is often done. If the customer has already sent the "overpayment" to the scammer or spent any of the money they were "paid", they're liable for repayment to the bank. This creates a negative customer experience and, if left unmitigated, can negatively impact the bank's brand reputation.

Duplicate deposits:

A bad actor deposits a single check multiple times at different banks using RDC on each institution's mobile app—then quickly withdraws the funds before the fraud can be detected. They may even deposit and cash out the paper check one final time at the ATM or teller window.

Business targets:

In recent years, fraudsters have increasingly targeted businesses with deposit fraud schemes. The larger sums of money often involved in business transactions make them particularly attractive to fraudsters. In 2023, nearly two-thirds of organizations were prey to check fraud.⁴



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suspicious activity reports
doubled from 2022 to 2023**



**In 2023, nearly two-thirds
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Balancing fraud prevention with customer expectations

In today's banking environment, consumers expect to be able to make deposits through any channel they choose—with instant access to their deposited funds.

They also expect their FI to catch any fraudulent checks they may have unknowingly received from a third-party bad actor. And they don't want to be left liable for any money they spend before the fraud is detected. They expect their bank or credit union to spot the fraud before it becomes an issue.

Unfortunately, many traditional fraud mitigation tools can't keep up with new deposit fraud trends, which take advantage of the increasing volume and velocity of banking transactions. Now, many FIs are looking to invest in more effective solutions.



29%

When considering their ability to detect and prevent fraud losses, 29% of FIs⁵ said first-party check/deposit fraud resulting from *application fraud is a top concern*.

24%

When asked where anti-fraud funding is allocated, 24% of fraud executives indicated deposit *fraud transaction controls are a top priority*.



Fighting deposit fraud with predictive intelligence

To stop deposit fraud without sacrificing the customer experience, banks and credit unions need data insights that help them make informed decisions in real-time.

Early Warning's solution, Deposit Chek®, screens deposits at the point of presentment—whether at the teller window, through RDC, online or at the ATM—to instantly detect high-risk items.



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Deposit Chek® empowers banks to make informed decisions in real-time

Deposit Chek® helps FIs safeguard all deposit channels, both digital and physical. The service uses predictive analytics to determine the likelihood that an item presented for deposit will clear and not be fraudulent. And it does so in real-time.

Powered by the National Shared DatabaseSM, Deposit Chek® analyzes millions of daily transactions across the financial system, giving FIs the insights they need to reduce deposit fraud, speed transactions and make funds available to customers sooner.

In 2023, Deposit Chek® helped the U.S. Financial System save \$1.76B in total potential fraud loss.

KEY CAPABILITIES

Multi-channel deposit screening: Screens deposit transactions across all deposit channels and predicts the likelihood that the item will be returned within the next 30 days.

Real-time alerts: Helps FIs process deposits in real-time to expedite funds availability (On demand batch alerts are also available).

Duplicate and counterfeit item detection: Prevents deposits at the teller window, ATM or via RDC after an item has already been deposited via RDC and alerts on potential counterfeit checks.

Account Owner Authentication (AOA) (add-on): Further reduces unauthorized returns by validating that the individual or company being inquired upon owns, or is authorized to transact on, the account.

The National Shared DatabaseSM contains a broad set of deposit performance data contributed by 2,500+ FIs with scored account data⁶ on:

716 million
deposit accounts

650 million
deposit account owners

10.5 billion
transactional records

How it Works in Real-Time



Step 1

A customer makes a deposit (check or funds transfer) at the bank, ATM, online or mobile—anywhere deposits are accepted.



Step 2

The receiving FI submits an inquiry to the Early Warning National Shared DatabaseSM in real-time to determine its risk profile.



Step 3

Early Warning analyzes the data and returns Deposit Risk insights, including:

- account status
- type of account (with AOA only)
- risk score (potential risk of accepting)



Step 4

The receiving FI makes an informed decision to release, hold or return the item based on the service response and its own risk tolerance.



Deposit Chek[®] benefits for banks and credit unions

REDUCE FRAUD LOSS

Omni-channel deposit screening helps FIs prevent potentially fraudulent items from making their way into the system. In 2023, 2 billion items⁷ were analyzed through Deposit Chek[®], alerting banks and credit unions to high-risk items and saving \$1.76 billion in potential fraud loss.

EXPEDITE FUNDS AVAILABILITY

Deep data intelligence across a customer’s deposit account history helps FIs identify trusted consumers to make funds instantly available.



Annual fraud loss savings using Deposit Chek[®]

Number of DDAs	Expected annual savings
10 million	\$57.9 million
5 million	\$29 million
1 million	\$5.8 million

7.6 million

In 2023, Deposit Chek[®] with AOA helped thousands of FIs verify the ownership of 7.6 million new account funding sources, giving them the confidence to make funds available sooner.

ENHANCE THE CUSTOMER EXPERIENCE:

Accurate and timely insights reduce unnecessary alerts to enable a fast and frictionless banking experience.

IMPROVE OPERATIONAL EFFICIENCY

Identifying risky deposits before they’re paid reduces the time and resources FIs spend on collections and fraud investigation.

OPEN MORE NEW ACCOUNTS

Real-time deposit screening lets FIs approve new account funding in seconds, while reducing fraud risk. In 2023, Early Warning alerted FIs to over 2 million potentially fraudulent new account funding transactions.

FACILITATE COMPLIANCE

Flexible solution allows FIs to configure and use Deposit Chek[®] responses in alignment with their compliance strategies and threshold for risk. Early Warning is a Preferred Nacha Partner for compliance and fraud prevention.



3 ways banks can stop deposit fraud with predictive intelligence

1



At the Teller window

Due to the high turnover rate common with tellers and advanced counterfeiting technologies, it's hard to train and rely on employees to spot deposit fraud attempts. Banks and credit unions can empower their tellers with a real-time deposit screening tool to detect fraudulent checks or deposits.

2



At the ATM

With many customers taking advantage of making check deposits at the ATM these days, FIs can use predictive intelligence to prevent duplicate or counterfeit check deposits at the ATM in real-time.

3



On a mobile app

Remote deposit capture (RDC) has been a prime target of deposit fraud for FIs. FIs can use Deposit Chek® to spot and stop deposit fraud on their mobile app.



Leave no check unchecked

Deposit fraud is a persistent and challenging issue that can cause big losses for banks and credit unions - and their customers - if left unchecked. Fraudsters are taking full advantage of the omni-channel services being offered by many banks and are exploiting both digital and physical channels to execute fraud and scams.

Luckily, FIs can use insights from real-time data intelligence to get ahead of fraudsters across channels - whether it be online, on the mobile app, at the ATM, or in the physical branch.

Deposit Chek® from Early Warning's is powered by predictive intelligence that uses bank-contributed data from thousands of FIs to help banks and credit unions identify the customers they can trust (and expedite their funds availability), as well as detect deposit fraud before it can enter their system.



Sources

- 1 Early Warning analysis of 2023 Verify Deposit inquiries, July 2024.
- 2 [Trends in Fraud from 2024 and Beyond](#), Datos Insights, Feb. 2024.
- 3 [Trends in Fraud from 2024 and Beyond](#), Datos Insights, Feb. 2024.
- 4 [2024 AFP Payments Fraud and Control Survey Report](#), Association for Financial Professionals, 2024.
- 5 [Trends in Fraud from 2024 and Beyond](#), Datos Insights, Feb. 2024.
- 6 National Shared DatabaseSM Report, July 2024.
- 7 Early Warning analysis of 2023 Verify Deposit inquiries, July 2024.

ABOUT EARLY WARNING

Early Warning Services, LLC, a financial services technology leader, has been empowering and protecting consumers, small businesses, and the U.S. financial services ecosystem with cutting-edge fraud and payment solutions for more than three decades. Through unmatched network intelligence and partnerships with more than 2,500 bank and credit union brands, we increase access to financial services and products, and protect financial transactions. We are the company behind Zelle®, and PazeSM, an online checkout solution. Learn more at www.earlywarning.com.

