

# CREDIT Connect

6th Edition

July 2006

## Credit Unions Must Take Action to Reduce Plastic Card Fraud Losses

Plastic card fraud is increasing— seemingly unabated, growing into a \$100 million concern for credit unions.

CUMIS Insurance Society, Inc., a member of CUNA Mutual Group, is the fidelity bond insurer for more than 94 percent of all U.S. credit unions and has pioneered plastic card fraud coverage to Credit Union Bond policyholders. Their total paid plastic card claims for 2005 were more than double those paid in 2003, and 54 percent higher than those paid in 2004. Losses in 2006 are already ahead of last year's pace.

What is even more troubling is that the worst may be yet to come. Today's plastic card tribulations take place on a number of fronts, however, data breaches, "phishing" and counterfeit "skimming" are the primary contributors of plastic card fraud losses.

CUNA Mutual's top priority is closing these security breaches. The criminal minds perpetrating these acts of thievery on unsuspecting members and businesses are resilient, resourceful and relentless. It will take the power of credit union cooperation to reverse this trend and protect the viability of credit union card programs.

CUNA Mutual has attacked this issue in a number of ways, first and foremost by sharing their concerns with card associations regarding their ineffectiveness at enforcing their own compliance rules. Secondly, by developing the most aggressive and up-to-date loss prevention training programs through continuous assessment of current and emerging causes of fraud losses. Last of all, CUNA Mutual is working with plastic card processors to ensure that innovative loss prevention services and tools are developed and promoted to aid credit unions.

Based on extensive research with credit unions, card processors and

industry experts, CUNA Mutual has developed a Plastic Card Best Practices document. These recommendations have been distributed to Bond policyholders who have plastic card coverage agreements. To view this document, visit <https://www.cunamutual.com/cm/mg/media/00014119.pdf>.

### How You Can Fight Fraud

**If your credit union does not currently have a plastic card fraud problem, don't assume it won't! Use every available fraud prevention tool as effectively as possible 24 hours a day, 7 days a week.**

Following is a brief summary of the most critical best practices CUNA Mutual strongly recommends credit unions immediately adopt:

- **24/7 Review of Potentially Fraudulent Activity** - This goes beyond simply having a fraud model or rules that "score" a transaction around the clock. 24/7 review means having the ability to take action on alerts any time, day or night.
- **CVV (Visa) and CVC (MasterCard) Validation** - Card associations require that CVV/CVC be validated for all signature transactions when credit and debit cards are presented at a point of sale. What many credit unions don't realize is that CVV/CVC should also be checked for PIN-driven transactions at both merchant and ATM locations. If credit unions do not check CVV/CVC on PIN-debit transactions, members can be duped into providing their name, account number, expiration date and PIN number to the criminals – that's all they need to commit fraud.
- **CVV2/CVC2** - This three-digit code on the cardholder's



## EFT Council Meeting

Thursday, August 24, 2006

10:00am-1:00pm

Georgia Federal Credit Union

6705 Sugarloaf Parkway

Duluth, GA 30097

(the meeting will be held in the training room on the first floor)

### Debit Card Fraud Panel & Roundtable Meeting

Our next EFT Council Meeting will include a panel discussion in which we will use the CUNA Mutual Best Practices document as a guideline for our discussion. After the panelists discuss each of the Best Practices and how they are addressing the requirement, we will then open up the floor for attendees to share how their credit union is addressing each of those best practices.

Contact Cindy Tuttle or Dawn Colegrove for details at (770) 476-9625.

## EFT Council Meeting

Thursday, September 21, 2006

12:00pm-3:30pm

Location TBA

Columbus, GA

### Topics Include

- Debit/ATM Card Marketing
- TIC FCU – New Service Culture and New Branch
- Tour of TIC Branch

Contact Cindy Tuttle or Dawn Colegrove for details at (770) 476-9625.

\*As always, feel free to invite people from your credit union that would be interested in the topics that will be addressed.

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enhanced website**

<http://eftc.gcuu.org/>

**We'd like your feedback on the changes,  
so please let us hear from you!**

signature panel is used to authenticate Internet, mail, telephone and key-entered transactions. These should be declined when a mismatch occurs.

- **Daily Limits** - A criminal with access to a working card will spend every dime as quickly as possible. Establishing and enforcing daily limits is a critical measure that puts a lid on fraudulent activity.
- **Compliance/Recovery** - Most credit unions aren't asserting their rights to recover fraudulent losses from merchants that improperly store card data and later suffer a compromise that puts member data in the hands of organized, high-tech crime rings. Increase pressure on merchants by holding them accountable for irresponsible data management and violation of card association compliance rules.
- **Name Matching** - Set up the authorization system to decline for all card programs when the name transmitted on the magnetic stripe doesn't match the cardholder's name stored on the credit union's master file.
- **Exact Cardholder Expiration Date** - An expiration date mismatch should be set to decline for both swiped (magnetic stripe read) and manually keyed transactions.
- **Card Activation** - Use an effective activation procedure for all credit and debit card programs, such as PIN-driven or calling from a home phone.
- **Address Verification Service (AVS)** - Support the AVS tool to allow mail, telephone order and Internet merchants to automatically match a cardholder's billing address to the shipping address.

For the sake of credit union members everywhere, we must all do our part to help stem this rising tide of plastic card fraud. CUNA Mutual will continue to communicate with policyholder credit unions about this vitally important issue. For more information, visit [www.cunamutual.com](http://www.cunamutual.com) or call (800) 637-2676.

*Jeff Post is President & CEO of CUNA Mutual Group*

