

SPECIAL REPORT: IT SECURITY

Automated Sleuth

Indiana Credit Union Set to be First to Deploy USERS-Carreker Fraud Fighter

By MARC RAPPORT

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INDIANAPOLIS – Financial Center Federal Credit Union is preparing to deploy software it expects will add a powerful anti-fraud tool to its IS security arsenal.

The \$309 million CU is working on finalizing a deal with its core processor, USERS Inc., and Carreker Corp. to be the first CU to launch one of Carreker's logic-based, automated fraud-detection solutions integrated into its core transaction platform.

Just as new technology often originates with the big banks and then moves down the size ladder, so have the crooks, and check fraud is a rapidly growing problem at smaller financial institutions, says Dan Barta, senior principal in the fraud and risk management group for Dallas-based Carreker.

"Fraud at community banks increased 51% in about a two-year period, much more quickly than at most large banks, some of whom even saw their numbers decrease," Barta says.

"What affects small banks also affects the credit union industry," adds Susan Ward, senior vice president/retail division at 48,000-member Financial Center FCU. "We will be positioning ourselves with an automated process that delivers a powerful control system to ensure that we are able to minimize our losses from fraud."

Carreker says its solutions already are deployed in 75 banks and nearly all the 25 largest.

Financial Center FCU is planning to launch a version called FraudLink PC, which Carreker says analyzes and com-

pares check-writing and deposit patterns with account history and institution-set rules to identify suspicious activity and then alert managers.

The version Financial FCU would be using runs once a day, analyzing posted transactions against a history of an account, looking for things such as unusually large deposits or withdrawals or check numbers out of sequence.

"Say a member makes the same small deposits every month or two, then suddenly there's one for \$15,000. That could indicate the potential for an account takeover or something of that nature," Barta says.

Unlike neural networks, which are becoming widely used in credit card anti-fraud solutions, FraudLink PC is a logic-based rules system that doesn't work in real time, but also doesn't require knowledge or even identification of the payee. Just a transaction history is what's needed to get started.

"A transaction history range of 90 days is generally the rule, but it can be shorter or longer, and there's a lot of flexibility, really, in all the rules that can be set," Barta says.

USERS crafted the interface to its core system and now will be offering the integrated solution to clients running its core system in-house.

"Since it uses a SQL interface, they

just give us the fields and mapping, and we can take the information right out of the Cache' relational dataset and import it into Carreker each day," says Sal LaBriocosa, vice president of core services at USERS.

LaBriocosa says the biggest challenge for a CU on an open system like USERS' would be making sure the right staff members are chosen and properly trained to operate the system and analyze the results, which he says will typically be accounting and operations personnel.

"Credit unions not running an open core system and open database based on industry-accepted standards certainly could face technical challenges in getting the required data to the Carreker solution," he adds.

Ward says Financial Center doesn't mind being a pioneer for USERS for this joint project and that the need is growing.

"The majority of our transactions are electronically received – ATM, ACH, check clearing, etc. – and we anticipated those numbers to grow. We need an automated system to help detect fraud before we incur losses."

Ward says Financial Center doesn't have a specific launch date or investment figure yet ("We'll determine that when we sign the final contract.") but he did say that it expects to see fraud losses reduced and overall security enhanced.



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