

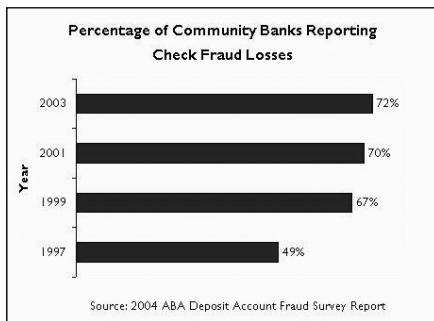
CHECK FRAUD: Migration to Community Banks

A growing percentage of community banks are experiencing check fraud-related losses, according to the American Bankers Association (ABA) 2004 Deposit Account Fraud Survey. The proportion affected has increased significantly over the past six years. In 1997, only 49 percent of community banks reported check-related losses, whereas in the most recent survey, 72 percent experienced losses, up two percent from the previous survey year in 2001.

When compared to the industry at large, smaller banks experienced the largest rise in the proportion reporting check-related losses. Mid-sized banks were fortunate to see a decrease of one percent in 2003, while 100 percent of large banks incurred financial losses from check fraud.

Why are community banks increasingly becoming the targets of check fraud?

According to **Chris Conzano** of the Bankers Administration Institute, technology and information sharing among large banks has proven successful in the defense of check fraud, but has shifted the



problem to smaller institutions which often lack the resources and expertise to "commit to the fight". Large banks have made significant investments in fraud fighting tools, with the largest proportion (44%) of them spending anywhere from \$1 to \$9.9 million annually. In comparison, the majority of community banks (60%) invested less than \$5,000 annually in check fraud prevention, detection, investigation, and prosecution.

ABA's survey revealed that in 2003, large banks (superregional/money center banks) achieved an increase of 32.4 percent in loss avoidance from 2001, while community banks loss avoidance declined to a ratio of \$1 of loss avoidance for each dollar of actual loss. Discouraged by the success of large banks, fraudsters have shifted their efforts towards community banks.

What can be done?

Large banks have realized the effectiveness of thumbprinting programs in deterring check fraud. According to the ABA, three-fourths of large banks have implemented such programs – compared to only 22 percent of community banks.



BancSource's Thumbprint Signature Program is an **affordable fraud-fighting tool** and is currently available to banks of all sizes with special pricing available to OBA members.

How do I get started?

Implementing the Thumbprint Signature Program at your bank is easy. There are no start-up fees; all you need are the thumbprint supplies which are available through BancSource for a minimal fee. Touch pads start at just \$4.10 each and provide a minimum of 500 impressions, costing banks less than one cent per use – a small price to pay given that median check fraud losses for community banks amounted to \$530 per case according to the ABA's 2004 Deposit Account Fraud Survey.

For more information, please visit www.banc-source.com/thumbprint or contact **Andee Rose** with BancSource at (503) 581-3522 or arose@banc-source.com. ■

Check Program Highlights

Welcome New Participants!

BANCOURCE CHECK PROGRAM
pb = Participating Banks

We are proud to announce that the following banks have recently joined our BancSource check program coalition:

Total Coalition (as of July 2006)
183 Participating Banks

Every month BancSource returns rebates exceeding \$500,000 to the banks and state associations participating in our check program.

- **Metro Phoenix Bank** •
Phoenix, Arizona
- **Gogebic Range Bank** •
Bessemer, Michigan
- **Citizens Bank** •
Spencer, Tennessee
- **Home Savings Bank** •
Salt Lake City, Utah
- **Virginia Community Bank** •
Louisville, Virginia
- **First National Bank of Virginia** •
Virginia Beach, Virginia
- **1st Security Bank of Washington** •
Mountlake Terrace, Washington

IN PARTNERSHIP WITH **HARLAND**



Strunk & Associates Offering Free Overdraft Privilege Analysis

Strunk & Associates, L.P.

Strunk & Associates' turnkey Overdraft PrivilegeSM Service Program in partnership with BancSource can strengthen your bank's bottom line while improving customer relations. For a limited time, Strunk is offering a free analysis, allowing your bank to evaluate the benefits from this program. The complimentary analysis form may be completed at www.strunklp.com.

Strunk & Associates' Overdraft PrivilegeSM Service Program A WIN-WIN SITUATION

ACCOUNT HOLDER BENEFITS

- Account holders may avoid the embarrassment of a returned check
- They may avoid additional merchant charges from a returned check
- Provides account holders added flexibility and convenience in how they manage their funds
- They enjoy peace of mind knowing that payment of their check(s) may be considered rather than automatically returned for NSF
- They have access to a discretionary service traditionally reserved for high net-worth account holders

FINANCIAL INSTITUTION BENEFITS

- Strengthen your services portfolio and improve account relations
- Enjoy greater account holder retention and loyalty
- Means to educate and inform account holders of other financial products
- Attract new account holders
- Facilitate cross-selling of other products
- Reduce item-processing expenses
- Achieve results without raising prices or adding staff

"What's so different about BancInsure?"



BancInsure continues to be the only full-line independent insurer specializing in banks.

Want to know more?

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Todd Doty

877.216.7376

"Experience...the difference."

By Bankers - For Bankers



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