10 Scams Targeting Bank Customers

The basics on how to protect your personal information and your money

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The FDIC often hears from bank customers who believe they may be the victims of financial fraud or theft, and our staff members provide information on where and how to report suspicious activity. To help further, FDIC Consumer News includes crime prevention tips in practically every issue. As part of that coverage, we feature here a list of 10 scams that you should be aware of, plus key defenses to remember.

1. Government “imposter” frauds: These schemes often start with a phone call, a letter, an email, a text message or a fax supposedly from a government agency, requiring an upfront payment or personal financial information, such as Social Security or bank account numbers.

“They might tell you that you owe taxes or fines or that you have an unpaid debt. They might even threaten you with a lawsuit or arrest if you don’t pay,” said Michael Benardo, manager of the FDIC’s Cyber Fraud and Financial Crimes Section. “Remember that if you provide personal information it can be used to commit fraud or be sold to identity thieves. Also, federal government agencies won’t ask you to send money for prizes or unpaid loans, and they won’t ask you to wire money to pay for anything.”

2. Debt collection scams: Be on the lookout for fraudsters posing as debt collectors or law enforcement officials attempting to collect a debt that you don’t really owe. Red flags include a caller who won’t provide written proof of the debt you supposedly owe or who threatens you with arrest or violence for not paying.

3. Fraudulent job offers: Criminals pose online or in classified advertisements as employers or recruiters offering enticing opportunities, such as working from home. But if you’re required to pay money in advance to “help secure the job” or you must provide a great deal of personal financial information for a “background check,” those are red flags of a potential fraud.

Another variation on this scam involves fake offers of part-time jobs as “mystery shoppers,” who are people paid to visit retail locations and then submit confidential reports about the experience. In an example of the fraudulent version, your job might be to receive a $500 check, go “undercover” to your bank, deposit the check into your account there, and then report back about the service provided. But you also would be instructed to immediately wire your new “employer” $500 out of your bank account to cover the check you just deposited. Days later, the bank will inform you that the check you deposited is counterfeit and you just lost $500 to thieves. One warning sign of this type of scam is that the potential employer requires you to have a bank account.

4. “Phishing” emails: Scam artists send emails pretending to be from banks, popular merchants or other known entities, and they ask for personal information such as bank account numbers, Social Security numbers, dates of birth and other valuable details. The emails usually look legitimate because they include graphics copied from authentic websites and messages that appear valid.

“We have also seen emails with links to fake websites that are exact copies of real websites for FDIC-insured banks, except the web addresses are slightly different than the real ones,” said Doreen Eberley, director of the FDIC’s Division of Risk Management Supervision, which is in charge of the agency’s policies and programs related to financial crimes. “These sites are used to trick people into giving up valuable personal information that can be used to commit identity theft.”

5. Mortgage foreclosure rescue scams: Today, many homeowners who are struggling financially and risk losing their homes may be vulnerable to false promises to refinance a mortgage under better terms or rates. But borrowers should always be on the lookout for scammers who falsely claim to be lenders, loan servicers, financial counselors, mortgage consultants, loan brokers or representatives of government agencies who can help avoid a mortgage foreclosure and offer a great deal at the same time. These criminals will present homeowners with what sounds like the life-saving offer they need. Instead, the homeowner is required to pay significant upfront fees or, even worse, tricked into signing documents that, in the fine print, transfer the ownership of the property to the criminal involved. Common warning signs of fraudulent mortgage assistance offers include a “guarantee” that foreclosure will be avoided and pressure to act fast.
6. Lottery scams: You might be told you won a lottery (typically one that you never entered) and asked to first send money to the “lottery company” to cover certain taxes and fees. Similar examples involve bogus prize winnings and sweepstakes. “In one example, a scammer sent a letter to people using falsified FBI and FDIC letterhead telling them they won a popular, well-known lottery but that they needed to send money by wire transfer to a lottery ‘official’ in order to secure the winnings,” Benardo said. “The ‘official’ was really a crook hoping to trick people into sending money.”

7. Elder frauds: Thieves sometimes target older adults to try to cheat them out of some of their life savings. For example, telemarketing scams may involve sales of bogus products and services that will never be delivered. Warning signs include unsolicited phone calls asking for a large amount of money before receiving the goods or services, and special offers for senior citizens that seem too good to be true, like an investment “guaranteeing” a very high return. To help seniors and their caregivers avoid financial exploitation, the FDIC and the Consumer Financial Protection Bureau have developed Money Smart for Older Adults, a curriculum with information and resources (see the News Briefs on the back page).

8. Overpayment scams: This popular scam starts when a stranger sends a consumer or a business a check for something, such as an item being sold on the internet, but the check is for far more than the agreed-upon sales price. The scammer then tells the consumer to deposit the check and wire the difference to someone else who is supposedly owed money by the same check writer. In a few days, the check is discovered to be a counterfeit, and the depositor may be held responsible for any money wired out of the bank account. Victims may end up owing thousands of dollars to the financial institution that wired the money, and sometimes they’ve also sent the merchandise to the fraud artists, too.

9. “Ransomware”: This term refers to malicious software that holds a computer, smartphone or other device hostage by restricting access until a ransom is paid. The most common way ransomware and other malicious software spreads is when someone clicks on an infected email attachment or a link in an email that leads to a contaminated file or website. Malware also can spread across a network of linked computers or be passed around on a contaminated storage device, such as a thumb drive.

10. Jury duty scams: A thief makes phone calls pretending to be a law enforcement official warning innocent people that they failed to appear for jury duty and threatening an arrest unless a “fine” is paid immediately. And to pay up, the caller asks for debit account and PIN numbers, allowing the perpetrator to create a fake debit card and drain the account.

What You Can Do

While we have described many forms of financial scams, the red flags to look out for are often similar. And so are the things you can do to help protect yourself and your money. Here are some basic precautions to consider, especially when engaging in financial transactions with strangers through email, over the phone or on the internet.

- Avoid offers that seem “too good to be true.” As Eberley noted: “If someone promises ‘opportunities’ that are free or with surprisingly low costs or high returns, it is probably a scam. Be especially suspicious if someone pressures you into making a quick decision or to keep a transaction a secret.”

- No matter how legitimate an offer or request may look or sound, don’t give your personal information, such as bank account information, credit and debit card numbers, Social Security numbers and passwords, to anyone unless you initiate the contact and know the other party is reputable.

- Remember that financial institutions will not send you an email or call to ask you to put account numbers, passwords or other sensitive information in your response because they already have this information. To verify the authenticity of an email, independently contact the supposed source by using an email address or telephone number that you know is valid.

- Be cautious of unsolicited emails or text messages asking you to open an attachment or click on a link. This is a common way for cybercriminals to distribute malicious software, such as ransomware. Be especially cautious of emails that have typos or other obvious mistakes.

- Use reputable anti-virus software that periodically runs on your computer to search for and remove malicious software. Be careful if anyone (even a friend) gives you a thumb drive because it could have undetected malware, such as ransomware, on it. If you still want to use a thumb drive from someone else, use the anti-virus software on your computer to scan the files before opening them.

- Don’t cash or deposit any checks, cashier’s checks or money orders from strangers who ask you to wire any of that money back to them or an associate. If the check or money order proves to be a fake, the money you wired out of your account will be difficult to recover.

- Be wary of unsolicited offers “guaranteeing” to rescue your home from foreclosure. If you need assistance, contact your loan servicer (the company that collects the monthly payment for your mortgage) to find out if you may qualify for any programs to prevent foreclosure or to modify your loan without having to pay a fee. Also consider consulting with a trained professional at a reputable counseling agency that provides free or low-cost help. For a referral to a nearby housing counseling agency approved by the U.S. Department of Housing and Urban Development (HUD), go to www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm or call 1-800-569-4287.

- Monitor credit card bills and bank statements for unauthorized purchases, withdrawals or anything else suspicious, and report them to your bank right away.

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Your home could be the biggest single purchase you’ll ever make, and shopping for a mortgage to finance that home or to borrow money by taking out a “reverse mortgage” on your house can be overwhelming.

There are many questions to ask, including: How do I get a good interest rate? What costs will I have to pay for a mortgage? Can I negotiate? If I want to buy a house, can I afford to buy the kind of house I’m interested in?

To help answer these kinds of questions, FDIC Consumer News recommends taking the following steps.

Get a copy of your credit reports at least six months before you plan to apply for a mortgage. Doing so will give you time to fix any errors and, in turn, possibly help you qualify for a better, cheaper mortgage. Lenders use your credit reports to help determine if you qualify for a loan and at what interest rate. The higher your credit score, the better the loan terms you may get. You are entitled to a free credit report once a year from each of the three nationwide credit bureaus. Go to www.annualcreditreport.com, the official site to help consumers obtain free credit reports, or call 1-877-322-8228. The Federal Trade Commission offers suggestions on how to fix errors on credit reports at www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports.

For advice on buying a home, consider talking to a housing counselor certified by the U.S. Department of Housing and Urban Development (HUD). To find a HUD-approved housing counseling agency near you, go to www.hud.gov/offices/hsg/hcc/hcs.cfm or call 1-800-569-4287. These counseling agencies can offer independent advice, often at little or no cost to you. Consider the best type of mortgage for you. There are basically two kinds of financing.

Fixed-rate mortgages feature a set interest rate for the entire loan term and predictable monthly payments. These are generally a good option for buyers who plan to stay in their home for a long time or just prefer the predictability of set monthly payments. Adjustable-rate mortgages (ARMs) may start with a low introductory interest rate that changes periodically in relation to an index rate. Potential borrowers should be prepared for the likelihood that the initial low rate will go up, and that future rate increases sometimes can be sharp and dramatic, greatly increasing the monthly payment. During the term of the loan the interest rate can go as high as the lifetime cap. Many new ARM borrowers assume that their financial situations will improve before there are significant rate increases, but if not, the result can be financial strain. For these reasons, ARMs are typically best for buyers who plan to live in their home for a limited number of years or expect to pay the mortgage off early. For more information about ARMs, see the article in our Summer 2013 issue at www.fdic.gov/consumers/consumer/news/consum13/adjustable-rate-mortgages.html.

Contact several lenders. You can shop for a mortgage online, by phone or in person. Many websites have calculation tools that can help you answer questions on what kind of home you can afford and how much your monthly payment will be under different scenarios. HUD’s maximum financing calculator (www.mortgagecalculator.org/calcs/FHAMortgageQualifier.html) is a good place to start. You might also use a mortgage broker who will arrange for you to get a loan. However, keep in mind that lenders usually pay brokers a fee for their help.
brings in new customers, and some lenders may pay brokers more for their services if a borrower agrees to pay a higher interest rate than what the lender itself may be charging for the same loan. When contacting mortgage brokers you should ask how they will be compensated and compare their fees. Also see our Fall 2013 issue to learn about rules intended to protect consumers from being steered into costly or inappropriate mortgages (www.fdic.gov/consumers/consumer/news/cnfall13/mortgage_rules.html).

Obtain all cost information. Knowing the monthly payment and the interest rate are not enough. You need to understand all of the mortgage costs. By law, lenders are obligated to provide you with a three-page “Loan Estimate” that provides a loan terms summary, estimated loan and closing costs, and additional application information. You can use the Loan Estimate to compare different loans and lenders.

“You should be able to depend on the cost disclosures in the Loan Estimate as the final amounts you’ll pay, because lenders face steep penalties if they charge you more at closing,” said Sandra Barker, an FDIC senior policy analyst. “And ask for an explanation of any fee you do not understand.”

Negotiate for the best possible deal. Once you know what each lender or broker has to offer, ask if they can give better terms than the original ones they quoted or than those you have found elsewhere. “Try to negotiate a waiver on charges such as application fees or a break on some of your closing costs,” Barker added.

Lock in a loan offer you like. If you are satisfied with the negotiated terms from a lender or mortgage broker, consider obtaining a written “lock-in.” It should include the rate agreed upon, the period the lock-in lasts, and the number of “points” (fees) to be paid to the lender or broker for the loan. (Usually, the more points you pay, the lower the interest rate.) A fee also may be charged for locking in the loan rate, but sometimes it may be refundable at closing.

If you’re considering borrowing money using a reverse mortgage, take precautions before you agree to anything. Reverse mortgages allow homeowners over age 62 to borrow against their home’s “equity” (the current market value minus the outstanding mortgage balance) and don’t need to be repaid until the borrower dies, moves or no longer lives in the property. A reverse mortgage can be a good option for individuals near or in retirement because it typically offers monthly, lump-sum and other payout options. But, a reverse mortgage can be complicated and it might not be right for you. One big reason a reverse mortgage might not fit your needs is that the loan balance and the interest owed will increase over time, so you and your heirs might have to refinance or sell the house to have enough money to pay off the loan.

If you want to shop for a reverse mortgage, we suggest you consider the following:

- Ask a reputable housing counselor for an unbiased opinion about your suitability for a reverse mortgage, including the financial and tax implications.
- Consider a Home Equity Conversion Mortgage (HECM), which is generally a less expensive reverse mortgage, partly because the federal government insures it. In addition, HUD requires borrowers to receive counseling and undergo a financial review before getting a HECM. You also may find attractive reverse mortgage alternatives offered by state and local government agencies, nonprofit organizations and other lenders.

- Take your time. A reverse mortgage isn’t something to rush into. You should stop and check with a counselor or someone else you trust before you sign anything, and if you don’t understand the cost or features of a reverse mortgage or you feel pressure or urgency to complete the deal, walk away.

To learn more about shopping for a mortgage, read Looking for the Best Mortgage, tips published by the FDIC and other federal government agencies (online at www.fdic.gov/consumers/looking/index.html). The FDIC also has published an online Affordable Mortgage Lending Guide that is primarily designed for bankers but provides helpful information about mortgage programs for low- and moderate-income people and communities. Find it at www.fdic.gov/consumers/community/mortgagelending/guide.html.

For more information about reverse mortgages, see our article in the Summer 2015 FDIC Consumer News (online at www.fdic.gov/consumers/consumer/news/consum15/reservemortgages.html).
Dear FDIC: More Answers to Consumer Questions About Deposit Insurance

**I have a prepaid account that I understand could be FDIC-insured. What do I need to know?**

Many consumers are choosing to make purchases at stores, withdraw cash from ATMs and pay everyday bills online by tapping into money they’ve deposited in prepaid accounts at banks or other companies. The transaction typically involves using a card similar to a debit card except that the cash value typically is not linked to a checking or savings account. Accountholders can also access a prepaid account online or by using an app in conjunction with a smart phone.

Many consumers ask the FDIC if the funds they used to establish a prepaid account are insured by the FDIC. “The most important thing to remember is that FDIC deposit insurance coverage is based on actual ownership of the funds. And, of course, deposit insurance coverage only applies when a bank fails,” said Martin Becker, chief of the FDIC’s Deposit Insurance Section.

“…To assure your ownership of the funds in the event of a bank failure, you must register your prepaid card according to the instructions provided by the card issuer,” he added. “Deposit insurance coverage does not apply if your prepaid card is lost or if someone gains access to your prepaid card or your account and steals the funds. In these situations, other legal options may be available for you to pursue the recovery of your funds as described in your account agreement and as may be provided by state or federal law.”

As the cardholder, you are responsible for registering your card. In addition, the card issuer must comply with certain requirements in order for your funds to be eligible for FDIC deposit insurance coverage. First, the account must be appropriately titled in the bank records and indicate that the prepaid account provider is going to be acting as the cardholder’s agent, which could include duties such as transferring funds on your behalf when you make a purchase and keeping track of the balance on your prepaid card as you add or withdraw funds. Second, if the bank fails, the card issuer as your agent will need to provide the FDIC a list of each cardholder’s identity and the amount you have on your card at the time the bank failed. Third, the contractual agreement among the financial institution, the prepaid card issuer and the cardholders must indicate that the individual cardholders are the owners of the funds.

Some prepaid accounts are set up directly by FDIC-insured banks. As with any account set up directly with a bank, your funds will automatically be insured up to the $250,000 if your bank fails.

The FDIC has a new webpage on prepaid accounts at www.fdic.gov/deposit/deposits/prepaid.html.

**I have already paid for my burial expenses and signed a funeral service contract with the funeral home, which deposited the money into a bank account for these purposes. If the bank fails, do I get the money back or does the funeral home? Either way, what do I need to know to be fully protected?**

“In looking at the deposit insurance coverage of money to be paid in advance of entering into a contract with a funeral home, the first question to answer is, ‘Am I retaining ownership of the funds?’” said FDIC Senior Consumer Affairs Specialist Calvin Troup. “That’s because FDIC deposit insurance coverage depends on the actual ownership of the funds based on the relationship between the parties under the terms of the contract, applicable state law and the deposit account records of the insured depository institution.”

Let’s explore some common options:

- **If under the funeral home contract you retain ownership of the funds, the funeral home is likely to establish an escrow account in your name.** You also will be considered the insured party at the bank where the escrow account is established. The funds will be insured to you either under the FDIC’s ownership category for single accounts (owned by one person) or the one for joint accounts (owned by two or more people), up to $250,000 per bank. In opening the account, the funeral home should make clear in the bank’s account records that it is acting on your behalf (for example, “ABC Funeral Home as custodian for John Smith”).

- **If under the contract you are entering into a binding commitment transferring ownership of the funds to the funeral home, then the funds could be held in the funeral home’s corporate account.** This means that in the event of a bank failure, it is the responsibility of the funeral home to make sure the funds are insured.

- **If you are considering entering into a ‘funeral service trust’ contract, in which you would transfer money to a trust to prepay for future funeral and burial costs, either you or the funeral home could be the owner of the funds (as described above).** Although the method of calculating coverage will depend on whether the trust is revocable (the terms can be changed) or irrevocable (the terms are fixed), the amount of coverage is likely to be limited to a maximum of $250,000 per bank since the purpose of the funeral trust will be to cover funeral expenses, not transfer funds to beneficiaries. In addition, be sure that the title of the bank account indicates that the money belongs to a trust (such as “Funeral Service Trust”).

“Before entering into an agreement with the funeral home, you may wish to seek an opinion from your lawyer to determine who will be the owner of the funds under the terms of the contract,” Troup said. “Generally, the owner of an account is the person or entity responsible for reporting the interest in tax returns, assuming that the account is an interest-bearing account.”

“Either before or after you sign a contract with a funeral home, the FDIC can help you determine the applicable FDIC deposit insurance coverage,” he added. “Please call us so we can discuss your coverage.”

You can learn more about FDIC deposit insurance coverage by calling us at 1-877-ASK-FDIC (1-877-275-3342) or visiting www.fdic.gov/deposit/deposits. For those who are deaf or hard-of-hearing, please call 1-800-925-4618.”

**FDIC Consumer News**

Summer 2017
FDIC Efforts Promote Access to Safe, Affordable Financial Services

People who start a banking relationship are taking an important step toward reaching their financial goals. Why? Because banks can offer more than a safe place to put money for day-to-day needs and to save for the future. A checking or savings account can also help people be better prepared to borrow for a car or a home, gain access to free or affordable financial services, and benefit from deposit insurance and other consumer protections. The FDIC works to strengthen connections between banks, nonprofit organizations and agencies at all levels of government to promote “economic inclusion” — to bring more low- and moderate-income Americans into the financial mainstream by improving access to safe, secure and affordable banking services.

The 2015 FDIC National Survey of Unbanked and Underbanked Households found that 7.0 percent of the households in the United States were “unbanked.” An additional 19.9 percent were “underbanked,” meaning they had a bank account but also used nonbank financial services providers for their everyday needs, such as check cashing. The survey also showed that lower-income households, less-educated households, younger households, black and Hispanic households, and households headed by a working-age person with a disability are much more likely to be unbanked. Some of the most common reasons survey respondents gave were a lack of trust in banks, high and unpredictable fees for bank accounts, or the feeling they do not have enough money to justify an account.

With help and encouragement from the FDIC and other regulators, many financial institutions are taking steps to reach out to more consumers in their communities. “Banks are finding that by gaining a better understanding of the needs of the unbanked and offering them useful products and services — including the chance for greater access and control through mobile banking — everyone can benefit,” said Elizabeth Ortiz, FDIC Deputy Director for Consumer and Community Affairs.

There are many banking options that are affordable for most people and do not include costly fees for paying bills or cashing checks. Examples include accounts consistent with the core principles of the FDIC’s “Model Safe Account Template.” This template details what a cost-effective transaction or savings account could look like and how these accounts can fit into a bank’s product offerings. Some banks have initiated “checkless” accounts consistent with the template for people willing to do all of their banking online or use debit cards or mobile apps, and without incurring overdraft fees. For people turned down for an account because of past money-management problems, some banks offer “second chance” checking accounts.

Some banks promote the inclusiveness of their branches by extending business hours or assuring that staff can speak languages commonly used in the community. To address many unbanked consumers’ concerns about ready access to cash, some banks offer prepaid cards that can include access to ATMs, online banking, bill-paying services, and direct deposit.

The FDIC also is finding creative ways to encourage school-age children to learn more about basic money management. Specifically, the FDIC:

• Offers Money Smart for Young People, a series of four financial education curriculums for Grades Pre-K through 12 designed to help teachers, parents and caregivers help young people learn about money (www.fdic.gov/consumers/consumer/moneysmart/young.html).

• Just reported key lessons from a two-year Youth Savings Pilot, in which 21 banks (and their nonprofit and school partners) combined traditional, classroom-based financial education with the opportunity for students to open a low-cost savings account, resulting in thousands of new savers. The FDIC also has a Youth Banking Network with resources for participating banks that want to create or improve their youth savings programs. For more about FDIC youth banking initiatives and resources, visit www.fdic.gov/youthsavings.

• Trains organizations that conduct youth employment programs in how to provide financial education to young workers.

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“The FDIC works with many community-based organizations to provide financial education to people of all ages,” said FDIC Community Affairs Specialist Kay Gregg. “Training on key financial concepts promotes positive banking relationships, the opportunity to build wealth and a more secure financial future.”

Added Janet Gordon, FDIC Associate Director for Community Affairs: “Our staff around the country provide technical assistance and training to local nonprofit community organizations, government agencies and banks to help them identify opportunities to work together and to encourage people to develop their financial capability by using safe and affordable banking services.”

To learn more, start at www.economicinclusion.gov. And for links to financial education resources, go to www.fdic.gov/education. The FDIC also has online Spanish versions of each edition of Money Smart News (the FDIC’s quarterly newsletter for financial educators) and FDIC Consumer News.

To help address the growing problem of elder financial abuse, the FDIC has enhanced its Money Smart curriculum for older adults and their caregivers. The newly revised Money Smart for Older Adults, which was developed jointly with the Consumer Financial Protection Bureau (CFPB), identifies common types of elder financial exploitation, such as imposter scams and identity theft, and includes information on how older adults can plan for a secure financial future by making informed decisions.

The curriculum, available in English and Spanish, can be downloaded free of charge from the FDIC’s online catalog at www.fdic.gov/consumers/consumer/moneysmart/OlderAdult.html. Also, a free resource guide for consumers that summarizes the key points in the curriculum can be downloaded from the FDIC site above or ordered in bulk at https://go.usa.gov/xNRpG.

The FDIC has recently improved its Teacher Online Resource Center for easier access to financial education materials for the classroom. The updated site at www.fdic.gov/teachers, developed by the FDIC in cooperation with the CFPB, provides new grade-level lesson plans and videos as well as links to other government websites that can help educators answer questions about financial topics and adapt that information for their students. Parents and caregivers can find resources for teaching money management to children at www.fdic.gov/education.