

TODAY'S
VISION
TOMORROW'S
REALITY



The 12th Annual GSA SmartPay® Training Conference

Fraud Processes

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All of **us** serving you™



Fraud

Definition

- Third party unauthorized use of a credit card or cardholder identity

Cardholder Requirements

- Close Card
- Affidavit of Fraud
- Notify within 90 days of transaction date
- Respond timely to requests for information



Fraud is not....

- Fraud by Cardholder
- Family Fraud
- Marital Situations
- Misuse & Abuse
- Employee Abuse (*account must be closed and Visa Liability must be notified within 60 days of charges abuse, police report required*)
- Disputed Transactions/Charge Error
- Inability to Pay

***Fraud Operations ultimately determines the legitimacy of the claim.*



How to Initiate a Fraud Case

- Card lost/stolen compromised
 - Call Customer Service
 - 888-994-6722
 - 701-461-2232 (Collect)
- Fraud activity on account
 - Call Fraud and Disputes Service Solutions Team (FDSS)
 - 800-523-9078
 - 701-461-4042 (Collect)



Dispute

Definition

- Cardholder does not recognize a transaction or has been unable to resolve an erroneous billing to their credit card

Cardholder Requirements

- Attempt to resolve with merchant
- Provide detailed explanation
- Notify within 90 days of transaction date
- Respond promptly to requests



Valid Disputes

- Unrecognized/Unauthorized
 - Unauthorized requires account to be closed
- Duplicate charge
- Merchandise/Services not received
- Returned merchandise
- Cancelled
- Incorrect amount
- Paid by other means
- Defective merchandise
- Quality of service



How to Initiate a Dispute

- **U.S. Bank Access[®] Online**
<https://access.usbank.com>
- **Customer Service**
888-994-6722
- **Mail**
U.S. Bank Government Services
PO Box 6347
Fargo, ND 58125-6347
- **Fax**
866-457-7506





Fraud Case Life Cycle



Analyzing Fraud

- Each business day the previous day's fraud cases are reviewed for new fraud trends
- As the analytics team identifies new trends they adjust or create strategies to detect and stop these trends
- Two types of fraud rules provide an effective protection system against fraud
 - These rules monitored regularly to ensure they are performing as designed and are updated or deleted as needed
 - Real-time rules
 - Near-time rules
- Rules are proprietary and considered U.S. Bank Confidential



U.S. Bank Fraud Prevention Rules

- Real-time rules decision at point of sale to block potential fraud, the transactions are either referred or declined
 - If charge is legitimate, merchant can call customer service for manual authorization
 - cardholder may need to speak to the Customer Service Advisor to verify the account
- Near-time rules provide the bank an opportunity to block subsequent fraud attempts
 - If a transaction triggers a near-time rule, the account will be placed in a queue for a fraud representative to review the activity
 - The account may also have an FR credit rating (Referral Status) added to the account to ensure cardholder calls to validate transaction history



Near-time Rule - Procedures to Confirm Activity

- Fraud representative reviews account to determine if this is “normal” spend
 - If transactions deemed normal, the referral block is removed
- No pattern determined, fraud representative will attempt to contact the cardholder using the phone numbers on the system
- Recent activity reviewed with the cardholder
 - If the activity is not fraudulent the referral status will be removed from the account.
 - Activity is not the cardholder’s a fraud case will be initiated
 - If the cardholder cannot be reached, referral status remains on the account until the cardholder calls in to confirm activity
 - If cardholder cannot be reached within one business day, U.S. Bank Account Coordinator will email the primary A/OPC



What Happens if Fraud is Confirmed?

- Card will be closed
 - F1 status and new number created
 - Company number changes to 99998 during overnight processing.
 - TBR Levels are purged from the original account number
 - removed from reporting
- Notations added to the card
- Case submitted in fraud system
- Any follow-up questions are directed to FDSS



Day 2 Fraud Process

- The case appears in a case processing queue the following business day
- Fraud process runs which changes the following data on the fraud card
 - Change credit rating from F1 to FA
 - Address to Fraud's PO Box
 - Agent number changed to 9998
 - Statement hold code added to account



Credits and Paperwork

- Fraud cases must be initiated within 90 days of the transaction date
 - All fraud transactions will be moved back to the fraud account while the case is worked, so credits may appear on the new account
 - If valid transactions post to the old account after the card is closed, those transactions will be manually moved to the new account
 - Valid means the authorizations were not identified as fraudulent when the case was initiated
- Cases may be initiated based on an authorization (pending transactions) however, transaction must post prior to issuance of Statement of Fraud to cardholder
- Once all transactions have been moved to the correct account, the statement of fraud will be generated reflecting all of the fraudulent transactions



Statement of Fraud

- Statement of Fraud must be received by U.S. Bank before we can initiate any requests to the merchant
- When the Statement of Fraud is received by the fraud case processor they will do the following:
 - Make sure it was received within time frames
 - Deny claim
 - Past time
 - Other reasons (i.e. not a legitimate fraud claim)
 - Chargeback to the merchant
 - Write it off as a loss to the bank
- When we do a chargeback or write-off, a credit may appear for each transaction or a lump sum to zero out the fraud card
 - Timeframes vary – chargeback credits will appear sooner than write-off credits



Time Frames

- Case Processing will typically issue credits for fraud transactions within 10 business days
- Cardholder will typically receive the Statement of Fraud within 2 weeks
- Statement of Fraud due date is within 3 weeks of mail date, if not received within 2 weeks, a reminder letter is sent
- Additional fraud charges are found by the cardholder
 - cardholder should contact customer service / FDDS team to add newly identified fraudulent transactions
- All fraud activity must be reported within 90 days of the transaction date
 - If we are advised of fraud beyond that time frame we will add those items to the case; however we may or may not be able to issue credits due to card processing and Visa/MasterCard chargeback regulations



Chargeback or Not to Chargeback?

- When do we have chargeback rights?
- Governed by Visa and MasterCard Regulations
 - Many factors must be considered in each situation
 - Regulations change on a regular basis throughout the year
- Rule of thumb:
 - All cases are reviewed and a decision is made based on the investigation and documents sent by the merchant
 - Time Frame Limitations we must receive notice within 90 days of the transaction date or we cannot charge the transactions back to the merchant



Statement examples showing fraud transactions

- The account was closed between cycles, so all posted activity as of that date systematically moved to the new account
- Original account February statement showing transactions have been moved back to be worked

<u>TRAN DATE</u>	<u>POST DATE</u>	<u>MCC CODE</u>	<u>TRANSACTION DESCRIPTION</u>	<u>REFERENCE #</u>	<u>AMOUNT</u>
01-08	01-27	7375	CARFAX VEHICLE HIS WWW.CARFAX.CO VA	24224430009101039918111	44.99
01-08	01-27	7392	WWW.GEORGE-CHRISTIE.CO DUBAI	74006930009221393105903	499.99
01-08	01-27	7392	WWW.GEORGE-CHRISTIE.CO DUBAI	74006930009221393105978	499.99



Statement examples showing fraud transactions

- New account showing the original debit posting and the credit to move the transactions back to the original account number

New Account A
Address
City, State Zip

STATEMENT DATE: 02/07/10

TRAN DATE	MONTHLY ACTIVITY	MCC CODE	REFERENCE NUMBER	POSTING DATE	AUTH CODE	AMOUNT
01-08	CARFAX VEHICLE HIS WWW.CARFAX.CO VA PUR ID: 108167663 Merchant Order Number 108167663	7375	918111	01-11	060019	44.99
<i>Description:</i>						
01-08	WWW.GEORGE-CHRISTIE.CO DUBAI	7392	105903	01-11	022494	499.99
<i>Description:</i>						
01-08	WWW.GEORGE-CHRISTIE.CO DUBAI	7392	105978	01-11	020760	499.99
<i>Description:</i>						
01-08	CARFAX VEHICLE HIS WWW.CARFAX.CO VA	7375	918111	01-27		44.99cr
<i>Description:</i>						
01-08	WWW.GEORGE-CHRISTIE.CO DUBAI	7392	105905	01-27		499.99cr
<i>Description:</i>						
01-08	WWW.GEORGE-CHRISTIE.CO DUBAI	7392	105970	01-27		499.99cr
<i>Description:</i>						
2-03	Valid Tran 00105288 PUR ID: 12345687 Merchant Order Number 126465	5943	077820	02-05	042099	175.95
<i>Description:</i>						





Questions?





Thank You

Presentations will be available on
www.usbank.com/sp2presentations
after the conference

