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News Now : October 20, 2010 : CU/System

HELOC scam tapped \$220,000 from member's equity

PHILADELPHIA, Pa. (10/20/10)--A lawsuit over coverage of \$220,000 of home equity line of credit (HELOC) funds that went missing from a credit union member's account has provided some details on the methods used by international fraudsters in a dozen similar cases in the eastern section of the country.

According to the Sb1 FCU, Philadelphia, Pa., in its suit against its bond insurer, identity thieves tapped into a member's HELOC account and stole private information to use later to convince the credit union to wire \$220,000 from the member's account to an account in Hong Kong.

The unidentified member provided his address, Social Security number, telephone number, date of birth and other personal identifying information, as well as an example of his signature, to the credit union when he joined it on Aug. 31, 1999, said court documents.

On Feb. 26, 2008, he opened a HELOC and used his line of credit through electronic transfers. As of January, 2010, his credit line was \$345,000, of which \$222,000 remained

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available to borrow. On Jan. 13, the credit union's call center received a call from a person identifying himself as the member, and after providing accurate responses to security questions, the caller succeeded in getting the member's telephone number changed on his membership file, said the suit filed.

On Jan. 14, a person purporting to be the member requested that \$220,000 be accessed from his credit line and deposited into his checking account.

The credit union required a wire transfer request and free agreement form, which provided the correct member identification number, account number, an e-mail address indicative of his spouse's account, and a signature matching the signature on file. The request was also accompanied by a copy of the member's passport with a signature, also matching the one on file.

A representative of the credit union twice called the telephone number of record to confirm the instructions and both times the request was verified, Sb1 FCU said in its complaint.

On Jan. 21, the member discovered the unauthorized access and the credit union immediately tried to recover the funds with a wire transfer recall and retention of counsel in Hong Kong, the document said.

On April 28, the bond insurer, CUMIS Insurance Society, denied the credit union's claim, saying the credit union did not perform a proper callback verification and there was no commercially reasonable security procedure set forth in a written funds transfer agreement signed by the member" that "governed the transaction or instruction."



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