

Fraudsters Exploit Interactive ATM Machines Loose Hold Policies And Steal \$420,000 With Bad Checks



Have you ever used one of those Interactive ATM Machines? When you swipe your bank card, you are promptly met by a live teller, and you can perform all your banking just as if you were in the bank.

The machines are becoming more of a target for fraudsters now because they allow customers to immediately withdraw money when bad checks are deposited that are not going to clear.

Wings Credit Union ITM Machines Were Targeted

This week, a federal grand jury indicted four people in connection with a sophisticated bank fraud scheme that netted over \$420,000 from financial institutions across the Twin Cities. The case, unsealed last week, sheds light on how criminals are exploiting advanced banking technologies to perpetrate large-scale fraud.

The scheme, which ran from November 2021 to March 2022, primarily exploited interactive teller machines at Wings branches in Edina, St. Paul, and Maple Grove. Prosecutors claim the group deposited over 150 fraudulent or forged checks at these locations, using the deposits to illegally withdraw approximately \$272,545 in cash.

The indictment further alleges that the defendants employed similar methods to extract an additional \$150,000 from other financial institutions, including **Affinity Plus Credit Union** and **Huntington Bank**.

How The Scheme Worked – A Four Step Process To Exploit Hold Policies

To carry out the scheme, the four fraudsters carried out a process they did over and over again and it was carefully designed to exploit the vulnerabilities of the banks interactive ATM machines as well as their check hold policies.

- **Step 1 - Account access:** Criminals gained unauthorized access to existing bank accounts or recruited individuals to open new accounts.
- **Step 2 - Check deposits:** Forged or fraudulent checks were deposited at ITMs during off-hours, typically nights and weekends.
- **Step 3 - Immediate withdrawals:** Cash was withdrawn before the financial institutions could detect the fraudulent checks.
- **Step 4 - Multiple accounts:** When one account was flagged for fraud, the criminals moved on to another account.

What Are Interactive ATM Machines?

ITMs are like traditional ATMs but offer additional features:

- Ability to deposit checks and withdraw cash immediately
- Higher transaction limits compared to standard ATMs
- Option to withdraw larger amounts of cash per transaction

Several factors make ITMs attractive targets for fraudsters:

1. **Immediate fund availability:** Users can deposit checks and withdraw cash before the checks clear.
2. **Higher transaction limits:** ITMs often allow for larger deposits and withdrawals than traditional ATMs.
3. **Extended service hours:** Many ITMs operate during nights and weekends when fraud detection systems may be less active.

Wings customers can use XTM machines after their accounts have been open for 30 days and Wings caps transactions at \$5,000 in deposits per day and \$2,000 cash back per transaction. The credit union placed a hold on accounts that reached the \$5,000 limit.