

FINANCIAL SERVICES & IDENTITY FRAUD

SEMINAR PRESENTERS:

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Introductions

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- Name
- Teaching responsibilities

Seminar Topics

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- Financial Services
- Identity Fraud

Financial Services

- **Compare & contrast financial services/products**
 - Types of financial service providers
 - Services offered by financial institutions
 - Traditional, online, & mobile banking services/features
 - Costs & fees related to financial services
 - Future Banking Trends
 - Un-Banked

Activity

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- Earliest “bank” memory
- What do you hope to take away from the financial services session?
 - For your students?
 - For yourself?

Types of Financial Service Providers

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- Commercial Banks
- Credit Unions
- Credit Card Companies
- Insurance Companies
- Consumer Finance Companies
- Stock Brokerage & Investment Firms

Commercial Banks

- A commercial bank is a financial institution that provides various financial services, such as accepting deposits and issuing loans.
- Commercial banks make money by using their customers' deposits for loans with interest rates above the rates they pay to depositors.

Commercial Banks

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■ Deposit Accounts

- Checking (Demand Deposit Account), Savings, Certificates of Deposit
- Most banks offer deposit insurance through the Federal Deposit Insurance Corporation (FDIC)
- Monthly service fees that are often waived by keeping a minimum balance. Other fees for overdrafts or returned checks.

■ Installment Loans

- Secured Loans: Home Loans (Mortgage) & Vehicle Loans (Car, recreational boats)
- Unsecured Loans: Education Loans & Personal Loans
- Origination, insurance and/or late payment fees



Credit Unions

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Credit Union

- Credit unions are an alternative to regular commercial banks and are almost always organized as not-for-profit cooperatives.
 - Deposits are referred to as “shares”
- Unlike commercial banks, access to credit union services is restricted to a particular membership group.
 - For example; employees of certain companies, members of certain churches, etc.
 - In recent years, though, membership restrictions have been eased considerably

Credit Unions – Services

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- Similar services as commercial banks
- Credit unions typically offer higher rates on deposits and charge lower rates on loans in comparison to commercial banks
- Typically lower fees than commercial banks
- Regulated by different oversight body than a bank and in different ways
- Most credit unions have insurance for their members' shares available through the National Credit Union Insurance Fund (NCUIF)

Credit Cards

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- A credit card is a card issued by a financial company giving the holder an **option** to borrow funds, usually at point of sale.
- Credit cards charge interest and are primarily used for short-term financing.
- Interest usually begins one month after a purchase is made, and borrowing limits are pre-set according to the individual's credit rating.
- Credit cards can be issued by a credit card company, a commercial bank or a credit union
- Fees – Annualized Percentage Rate (APR) & late payment fees



Insurance Companies

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- **Insurance** is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an **insurance** company.



- The company pools clients' risks to make payments more affordable for the insured.



- Types: home owners, life, vehicle, renters, malpractice, business, health, etc.

Consumer Finance Companies

- A non-bank lender
- A consumer finance company does not receive deposits, but does make loans to customers for business or personal use
- It derives its profits from the interest on these loans
- A consumer **finance company** generally charges a higher interest rates than a bank

Brokerage Firms & Investment Banks

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- Stocker brokerages are firms who buy and sell stocks and other securities for individuals and/or institutional clients through a stock exchange in return for a fee or commission.
- Investment Banks assist in large, complicated financial transactions – for example:
 - Advise on how much a company is worth and how best to structure a deal if the investment banker's client is considering an acquisition, merger or sale.
 - Issuance of securities as a means of raising money for the client groups, and creating the documentation for the Securities and Exchange Commission necessary for a company to go public.



Types of Banking – Traditional



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■ Physical locations

- Bricks & Mortar
- Branches/Centers
- ATMs

■ Benefits

- In-person assistance
- Immediate access to currency
- Personal relationship

■ Drawbacks

- Inconvenience/accessibility
- Expensive for banks to maintain
- Higher fees

■ Trends

- Fewer branches
- Variety of services & products in one location (financial center); deposits, withdrawals, loans, mortgages, payment processing, financial advising, business banking

Types of Banking – Online

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■ Internet-based

- Online option through traditional bank
- Online bank with no physical branches

■ Benefits

- Account access & transactions conducted anytime from anywhere
- Online loan applications
- Lower fees

■ Drawbacks

- No in-person assistance
- No personal relationship
- No access to currency
- Some transactions are time constrained
- Technology dependent
- Cybersecurity



■ Trends

- Increasing usage
- Increasing options
- Partnering, e.g. Mint

Types of Banking – Mobile

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- **Internet-based App**
 - Offered by any type of bank
 - Phone or tablet usage
- **Benefits**
 - Digital wallet
 - Text alerts
 - Most accounts can be accessed & transactions conducted anytime from anywhere
 - Remote deposit
 - Online loan applications

- **Drawbacks**
 - No access to currency
 - Inconvenient for loan applications
 - App may limit which accounts can be accessed
 - Technology dependent
 - Cybersecurity



- **Trends**
 - Attracts younger customers
 - Compatible with digital wallets e.g. Venmo

Future Banking Trends – 7 New Technologies in Next 5 Years

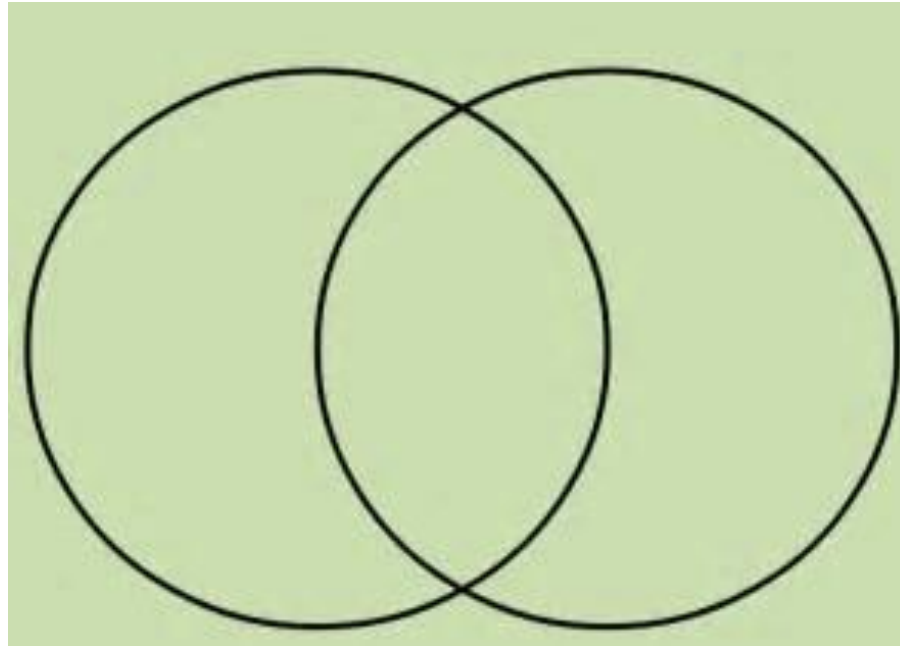
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- Blockchain Technology (think BitCoin)
- Upgraded ATMs (biometric authentication)
- Growth of Non-Banks
- Apple Store-style Experience (customer issues/concierge service)
- Automated Financial Services Employees (robo-advisors)
- Mobile & Digital Banking (we're on the tip of the iceberg)
- Strategic partnerships (data informs all)



Source: <https://www.gobankingrates.com/banking/6-banking-technologies-youll-see-next-5-years/>

Banks and Credits Unions

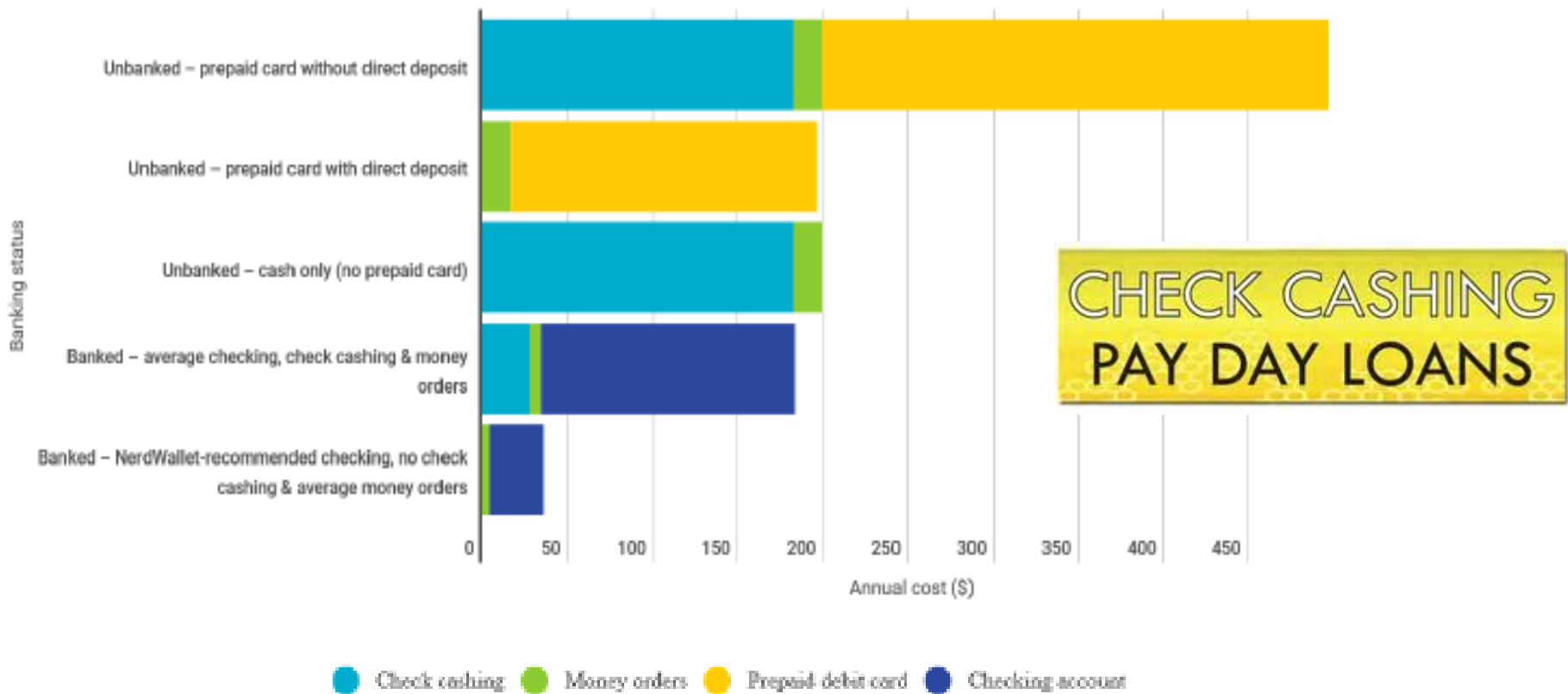


The “Un-Banked”

- Don't think they have enough money to open an account
- Lack understanding about US banking system & expectations for having a bank account
- Have past negative banking experience in the United States
- Have had negative banking experiences in their homeland (i.e., banks not insured)
- Lack appropriate documentation needed to open a bank account
- Fear being "reported" to authorities (i.e., illegal immigrants, in hiding)
- Have an unstable living situation
- Have cultural conflicts including bank practices that vary with personal beliefs

The Cost of Being Un-Banked

Annual costs: unbanked vs. banked households



Source: <https://www.nerdwallet.com/blog/banking/unbanked-consumer-study/>

Classroom Resources

- Money Smart by Federal Deposit Insurance Company (FDIC)
 - <https://www.fdic.gov/consumers/consumer/moneysmart/young.html>
- Next Gen Personal Finance
 - <http://nextgenpersonalfinance.org/>

Reflection

Financial Services

- Think about how you can integrate what you have learned into your own life and into your classroom instruction.
- One thing you learned that you hadn't realized before today that you will use managing your own money.
- One thing that you plan to explore, use, develop for your students.

15 Minute Break

Identity Fraud

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- **Identity theft, fraud and scams**
 - Identity theft and fraud statistics
 - Financial impact of fraud
 - Individuals
 - Society
 - How identity information is stolen & deceptively used
 - Ways to protect against identify fraud



Identity Fraud – *Knowledge is Power*

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- It's all about the money
 - People are working hard to steal your money . . . it's their occupation, and they're good at it
- Assuming it won't happen to you won't make it go away
 - The best offense is a good defense
- Be informed
 - Minimize the damage should this happens to you



Maine & Identity Fraud

■ 2016 Federal Trade Commission – Maine is:

■ # 29 – Identity Theft Complaints

- Number one is Michigan
- Number two is Florida

■ # 41 – Fraud and Other Complaints

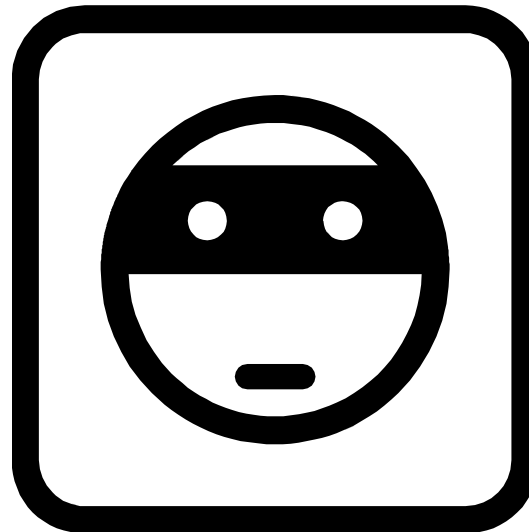
- Number one Florida
- Number two is Georgia



What are the Scams?

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Take the next 6 minutes to brainstorm the top ten scams.



Impact of Identity Theft

■ Individuals

- Financial – loss of assets
- Credit Issues – amassed debt or unknown late payments
- Benefits – using SSN (health or financial)
- Legal – crime committed in your name (rare, but happens)
- Onerous and time consuming to fix
- Source: <http://www.yourscoreandmore.com/education/identity-theft/effects-identity-theft-you>

■ Society

- Millions of people impacted and the residual effect on their well-being and ability to participate in economy

Protect Your Mail

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- Get it out of the mailbox ASAP
 - Bad people go through your mail
- Shred, Shred, Shred
 - Buy a cross-cut shredder
 - Shred everything with personal information on it
- Do not send mail using your home mailbox
 - **Best** – use the U.S. Post Office and go inside
 - **Next Best** – use the blue mailbox – but, not always safe
- Online documents are the way to go



Protect Your Property

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■ Home and garage

- Lock doors and windows . . . especially door from garage to house
- Secure important documents

■ Car

- Lock doors; roll up windows
- If you want it stolen, leave it in your car
- Don't leave your car running & unattended



Computer Fraud (part 1)

■ Basics

- Know how to operate your computer
- Install the latest anti-virus & spyware software
 - Run software; ensure you're getting updates
- Ensure system & browser software are up-to-date
- Install firewall (either hardware or software)
- Protect wireless system
 - Mask the name of the router
(**DO NOT USE**...*Smith's router, 12345 West St., etc.*)
 - Use strong password

Computer Fraud (part 2)

- Passwords (all computer applications)
 - Use strong passwords
 - > 8 completely random numbers, letters, and special characters (use all of the types that are allowed)
 - Do not store passwords online or on the computer
 - Write them down and keep them secure
 - Do not reveal passwords to anyone
 - Do not use the “save my password” feature for applications and websites

Computer Fraud (part 3)

- Enjoy E-mails, but be careful
 - Things are not always what they seem to be
 - Don't believe everything you see and read
 - Scams, viruses, and worse . . . oh my
 - They want you to **wire** money
 - Look at the cute puppy . . . bad stuff embedded in pictures
 - *There's a problem with your account, confirm your password, date of birth, SSN, etc.*
 - *Click on this link to . . .*

Computer Fraud (part 4)

- E-mails (continued)
 - Be weary of all e-mails
 - They may not have been sent by whom you think
 - Access the website independently, not through the link
 - **Never, never, never** provide personal information to anyone, unless you initiate the contact with a known entity

Computer Fraud (part 5)

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- Again – firewalls, antivirus and spyware software are important
 - Viruses
 - Trojans
 - Bots
 - When hackers take over your computer to do a dastardly deed
 - What do you do when the police knock on your door?



Banking Fraud (part 1)

- Be proactive
 - Check all of your accounts; check them often

- Passwords
 - Set up every online password that's possible
 - Don't leave accounts with a "password" password
 - If you're not going to access it online, contact the bank and have them deactivate it

Banking Fraud (part 2)

- Passwords (continued)
 - Use very strong passwords (letters, numbers, special characters, and length)
 - Change them at least every six months
- Accessing sites
 - Do not click on the links found in documents
 - Access the sites independently

Banking Fraud (part 3)

- Revealing information to your bank
 - The bank knows all of your passwords, account numbers, and personal information
 - If you receive a call from your “bank” and they want you to provide information to confirm it’s you, **don’t** do it
 - Take down their name, number, department, etc.; use a known number to contact the bank
 - However, your bank will generally call if there’s suspicious activity on your credit card
 - Be proactive – check and check often

Banking Fraud (part 4)

■ Statements

- Sign up for electronic statements
 - Eliminates need to shred paper
 - Less mail for you

■ Pay bills electronically

- Stop writing checks – set up online payments
 - Push from your bank or pull from the business
 - Easy, convenient, and you save on the expense of checks and stamps

Banking Fraud (part 5)

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■ Direct Deposit

- Use it, don't get paid by check

■ Checks

- Use electronic payments whenever possible
- Be careful who you give a check to
- Don't put your SSN or date of birth on a check



Protect Credit, Charge, Debit Cards

- Credit & Charge cards – loans from card companies
 - Fair Credit Billing Act – liable up to \$50 for fraudulent purchases (unauthorized charges)
 - It all depends on your card company
- Debit card – money withdrawn from your account
 - Electronic Transfer Act – if bank is notified within 2 days of you learning about the fraud, your liability is limited to \$50
 - Two to six days, your liability is limited to \$500
 - It all depends on your bank's policies

Protect Credit, Charge, Debit Cards

- RFID – chips in the cards
 - Card info can be read from a distance
- ATM machines
 - Skimmers and cameras attached to the ATM
- Gas Stations
 - Skimmers attached to card readers at the pump

Protect Credit, Charge, Debit Cards

- Set limits on daily Debit card charges
- Set up e-mail and text alerts for bank accounts and credit/charge cards (check with bank & card company)
 - Charges over a certain amount
 - Withdrawals over a certain amount
 - Daily balances
 - Etc.
- Monitor your accounts on a frequent basis
- Set up all passwords . . . make them strong passwords
- Notify your card company when you're traveling

Protect Credit, Charge, Debit Cards

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- Purchase “sleeves” for RFID cards
- Eliminate paper statements
- Cover your hand when you enter your PIN
- When in doubt, pull on the card reader to see if it’s attached
- Look for small cameras
- Shred credit card offers
 - To reduce offers, call 1-888-5-OPTOUT (1-888-567-6868) or enroll online <https://www.optoutprescreen.com>
- Pay attention to letters from your bank that confirm changes to your account



Medical Fraud

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- Always review your Explanation of Benefits (EOB)
 - Did you actually receive the treatment, services, medical equipment, etc.?
 - Check your credit report annually
 - Are there delinquent charges for treatment you're not aware of?



Protect Your Child's Identity

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- Ripe for identity theft
 - Social Security Numbers
 - Birthdates
 - Etc.
- Familial fraud is most common
- Takes many years to identify
- Possible clues
 - Mail and credit card offers in the child's name
 - Bill collectors calling regarding the child
- Possible prevention – free annual credit report



Social Networking Site Fraud

- Be careful what information you put out there
 - Pictures – family, house, pets, etc.
 - Birthdates
 - Addresses
 - Nicknames
 - Names of family members, pets, etc.
 - When you're going on vacation
 - Other types of personal information
- Remember, once it's out there . . .
 - it's there forever . . .
 - nothing ever gets destroyed

Who/What You Can't Control

- Everyone else
 - Banks
 - Credit card companies
 - Medical offices
 - Internet, etc.
- Don't be so trusting; don't be paranoid, **Be Proactive**
- What to do
 - Use common sense
 - Check, and check often
 - You are your best defense

Credit Report

- Get your free annual credit report...
(<https://www.annualcreditreport.com>)
 - Does not include your credit score . . . you'll have to pay for this feature
 - Review it and compare it to known sources of credit
 - Look for unfamiliar medical claims, loans, names, address, and any other types information
 - If there's fraud
 - Go to any credit bureau to put a fraud alert on your account
 - Report it to the police
 - Contact creditor

The Facts about Fraud

- 9,000,000 Americans have their identities stolen each year
- Every three seconds another identity is stolen in the U.S.

Source: Federal Trade Commission

What's In Your Wallet?

Remember . . .

If it sounds too good to be true,
it is!

For More Information



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Federal Trade Commission (FTC)
www.ftc.gov/bcp/edu/microsites/idtheft/

Federal Bureau of Investigation (FBI)
fbi.gov

U.S. Department of Justice (DOJ)
www.justice.gov/criminal/fraud/websites/idtheft.html

Internet Crime Complaint Center (IC3)
www.ic3.gov/default.aspx

Identity Theft Task Force
www.idtheft.gov/

[state] Bureau of Investigation
[website]

Reflection

Financial Services

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