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August 27, 2020

## NDBA FRAUD ALERT: UNEMPLOYMENT INSURANCE FRAUD

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This is an update to the [Fraud Alert](#) released by the North Dakota Bankers Association on May 27, 2020.

The [Coronavirus Aid, Relief, and Economic Security Act](#) (“CARES Act”) has expanded unemployment insurance benefits for workers impacted by COVID-19,<sup>1</sup> providing for additional funding of approximately \$260 billion.<sup>2</sup> It is estimated that at least \$26 billion of these payments could be going to scammers.<sup>3</sup>

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### THE SCAM

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There are several forms of unemployment insurance fraud, including both employer and claimant fraud.<sup>4</sup> This paper is concerned with unemployment insurance fraud resulting from identity theft, which is neither the fault of the employer nor person whose identity is stolen.<sup>5</sup> In this scenario, scammers submit fraudulent claims using stolen information and have the funds transmitted into financial accounts controlled by money mules.<sup>6</sup> These money mules (account holders) may be aware of the scam or unwitting accomplices.<sup>7</sup>

Other unwitting participants include banks and prepaid card providers.<sup>8</sup> North Dakota banks are not immune, with at least one state bank having reported receiving deposits from other states’ unemployment insurance with the name on the deposit not matching the name on the account. Once the funds have been deposited, the account holder then drains the account and sends the money to another account in a different state.

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### HOW CAN BANKS IDENTIFY THE SCAM?

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On July 7, 2020, FinCen released an [Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019](#), which provides banks with indicators of imposter scams and money mule schemes. The advisory cautions banks that no one indicator necessarily equates

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<sup>1</sup> <https://www.dol.gov/coronavirus/unemployment-insurance>.

<sup>2</sup> <https://www.oig.dol.gov/public/reports/oa/2020/19-20-008-03-315.pdf>

<sup>3</sup> <https://www.americanbanker.com/news/are-banks-doing-enough-to-fight-unemployment-benefit-fraud>

<sup>4</sup> <https://www.dol.gov/newsroom/releases/eta/eta20200519>

<sup>5</sup> <https://www.dol.gov/newsroom/releases/eta/eta20200519>

<sup>6</sup> <https://www.aba.com/banking-topics/risk-management/fraud/unemployment-insurance-fraud>

<sup>7</sup> See <https://www.fbi.gov/news/testimony/covid-19-fraud-law-enforcements-response-to-those-exploiting-the-pandemic> (“[F]raudsters are increasingly targeting individuals through ‘work from home’ opportunities or dating website to use as money mules.”).

<sup>8</sup> <https://www.americanbanker.com/news/are-banks-doing-enough-to-fight-unemployment-benefit-fraud>

suspicious activity and urges banks to take into account all of the facts and circumstances of each individual case.

Many scammers target customers rather than the banks themselves. As a result, much of the advisory explains how scammers target consumers to steal their identities, which is a topic also previously covered by NDBA [here](#). As far as money mule schemes, specific indicators include:

- Account transactions not consistent with the account history (e.g., overseas transactions, purchase of convertible virtual currency, previously low balances)
- The opening of a new account with a transfer of funds out of the account shortly thereafter
- Receipt of multiple state unemployment insurance payments to the account
- Different account holder name and ACH payment “remit to” name

It is recommended that banks read through the [full advisory](#) so they know what to watch for.

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## WHAT SHOULD BANKS DO?

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Banks are not liable for the money mule scams. However, the FinCen [Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019](#) states that banks must effectively implement due diligence requirements and meet their suspicious activity report (SAR) filing obligations.<sup>9</sup>

If your institution identifies accounts used to receive fraudulently obtained unemployment benefit funds, and 100% of the credited funds are still in the account, return the ACH within 24 hours for R03 (the account number does not correspond to the individual identified in the entry). If 100% of the credited funds *are not* available, you may obtain your customer’s authorization to return remaining funds. If you are able to do so, mail a cashier’s check to the appropriate state’s unemployment insurance department. Example:

I, *(insert customer's name)* received ACH Credits on *(insert effective date of ACH)* for \$ *(insert amount of ACH credit)*. This credit was described as *(insert Company Name and Entry Description from ACH credit)*. It is my understanding these funds are from the State of *(insert state)* for unemployment benefits. I did not apply for these benefits in the name of *(insert Individuals ID Name from ACH credit)* and I am not entitled to these funds. On *(insert date(s) any funds were withdrawn)*, I withdrew \$ *(insert total amount withdrawn)* as instructed by an acquaintance and sent the funds *(insert what customer states they did with the funds withdrawn)*. I am requesting *(insert your financial institution name)* withdraw \$ *(insert amount of remaining funds)* representing remaining funds from the ACH credits described above, from my account ending in *XXXX* for the issuance of a cashier’s check payable to the State of *(insert state)* Employment Security Department and mail said check to the appropriate address.

Customer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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<sup>9</sup> See pages 7-8 of [https://www.fincen.gov/sites/default/files/advisory/2020-07-07/Advisory %20Imposter and Money Mule COVID 19 508 FINAL.pdf](https://www.fincen.gov/sites/default/files/advisory/2020-07-07/Advisory%20Imposter%20and%20Money%20Mule%20COVID%2019%20508%20FINAL.pdf) for filing instructions.



To report fraud to the State of North Dakota, call 701-328-2866, document your concern on the Notice of Claim you receive and return it to Job Service, or at [jobsnd.com](http://jobsnd.com), under Unemployment for Business choose “[Report Unemployment Fraud](#).”

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## FURTHER RESOURCES

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- [ABA Resources](#)
- FinCen [Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019](#)
- FinCen [Notice Related to the Coronavirus Disease 2019](#)
- Consumers may report unemployment benefits identity theft at <https://identitytheft.gov/>

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