

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA

DATE: August 2003 **LETTER NO.:** 03-CU-12

TO: Federally Insured Credit Unions

SUBJ: Fraudulent Newspaper Advertisements, and Websites by
Entities Claiming to be Credit Unions

The National Credit Union Administration has become aware of fraudulent lending schemes by entities/persons representing themselves as credit unions in newspaper advertisements, and/or on fraudulent websites. Fraudulent advertisements have thus far appeared in newspapers in California, Colorado, Iowa, Missouri, Ohio, Pennsylvania, and Washington State. Fraudulent websites appear worldwide on the Internet and have mimicked federally-insured credit unions operating in Georgia, South Carolina, and Missouri.

The advertising fraud begins with an advertisement placed in local newspapers purportedly by a credit union to assist customers with credit problems. The advertisement states that the credit union can assist with credit related problems by offering auto loans, personal loans, debt consolidation loans, and home equity loans. The advertisement solicits persons to speak with a loan officer for a free consultation by calling an 866 toll free number.

Despite appearances, there is no legitimate credit union. This is simply a ploy to have victims make an advance payment for a non-existent loan. The victim is directed to make the advance payment via wire transfer through Western Union. In addition, as part of the loan process, the victim receives what appears to be a valid loan application that requests personal and financial information. This information may be the basis for further fraud, including identity theft.

The website fraud involves two types of deceptions. In the first type, the perpetrators are copying a legitimate credit union's website in its entirety, and substituting false phone numbers in the place of the credit union's legitimate phone numbers. Thus far, this fraud has been conducted by the same persons involved in the newspaper advertisement fraud. As such, the scheme directs victims to make advance payments on promised loans, and provide personal information.

The second type of website fraud is the posting of a website that uses the words "credit union" in its title, such as "XYZ Federal Credit Union." The site then links to a number of various products and information, some of which may be financial in nature, and some of which offer consumer type products for sale. By masquerading as a credit union, these fraudulent websites are trading on the good name of an existing credit union

and/or on the public's faith and trust concerning credit unions. As is the case with the other type of website fraud, the perpetrators will often use a domain name and web address that is either exactly or very similar to the name and address of an actual credit union.

In response to all of these fraudulent activities, the NCUA has been working with relevant supervisory and law enforcement authorities, including the Federal Bureau of Investigation. As a result, once the existence of a fraudulent advertisement or website becomes known, working together we have had success in stopping these activities. Further prevention of this type fraud, however, depends upon learning of new fraudulent advertisements and websites, and immediately acting upon this information.

Accordingly, we recommend that all federally-insured credit unions take an active role in policing this matter, including reviewing local newspapers for suspicious advertisements. Similarly, credit unions should conduct regular internet searches for entities that may be using domain names exactly like, or similar to the name of their credit union. Credit unions may also consider purchasing domain rights to such names, if available, to help prevent against misuse of their name. Further information and guidance on the use and protection of credit union websites can be found in a December 2002 NCUA Letter to Credit Unions on Protection of Credit Union Internet Addresses, No. 02-CU-16, http://www.ncua.gov/ref/letters/letters2002_2000.html.

Finally, if you have any information regarding any of the above mentioned activities, please call the NCUA Fraud Hotline at (703) 518-6550 or (800) 827-9650. In addition to contacting the NCUA, affected credit unions should consider filing a Suspicious Activity Report and/or directly contacting the local office of the FBI. Similarly, credit union members who have fallen victim to these scams should contact their credit union, the NCUA and/or the FBI. Moreover, to protect against further identity theft, members should also consider filing a complaint with the Federal Trade Commission, and notifying their credit bureaus. Further information and guidance on protecting against identity theft can be found at the FTC's web site, <http://www.consumer.gov/idtheft/>.

Sincerely,

/S/

Dennis Dollar
Chairman