

RISK Alert

ACTIONABLE INSIGHTS FOR BOND POLICYHOLDERS.



Alert Type

Awareness

Watch

Warning

Scams Involving Redemption of Fraudulent Savings Bonds Hit CUs

Multiple reports of fraudulent or counterfeit U.S. Savings Bonds being redeemed at credit unions by new members across the country. The members withdraw the funds before the credit union is made aware of a debit adjustment from the U.S. Treasury indicating the savings bonds are fraudulent.

Details

A scam involving the redemption of paper U.S. Savings Bonds has emerged at credit unions around the country. The scam typically involves new(er) members, but it could involve established members as well. One credit union incurred a loss of more than \$380,000 involving several new members who redeemed over 25 fraudulent savings bonds.

The scam often begins with a new member opening an account at the credit union and soon after presents several savings bonds for redemption at a branch location. The member may deposit the full redemption amount but will make several withdrawals before the credit union is notified of the debit or adjustment from the U.S. Treasury because the savings bonds are fraudulent. The U.S. Treasury adjustments can take several days to weeks which unfortunately aids the fraudster.

Unfortunately, those impacted by the scam have not used the U.S. Treasury hot-line or verification tool to validate and calculate savings bonds value. Some credit unions used a tool from TreasuryDirect to calculate the value of a savings bond; however, this tool does not validate savings bonds.

Keep in mind, the **TreasuryDirect tool** calculates the value but does NOT:

- verify whether the member owns the savings bonds;
- guarantee the serial number you entered is valid;
- guarantee a savings bond is eligible to be cashed; or
- create a savings bond based on information that is entered into this tool.

Credit unions should use the [Savings Bond Valuation and Verification for Financial Institutions](#) from the U.S. Department of the Treasury's Bureau of the Fiscal Service to validate savings bond. In order to obtain access, credit unions will need to email sbv@fiscal.treasury.gov. Once you have access, it appears very easy to use by following the [instructions on how to use](#) this tool.

Additionally, it is imperative to train front-line and new account staff about this scam. You may also consider referring members to redeem their savings bonds through online services offered by the U.S. Treasury department.

Date: June 7, 2022

Risk Category: Scams; Fraud; U.S. Savings Bonds; Deposit Account Fraud; New Accounts

States: All

Share with:

- Branch Operations
- Executive Management
- Front-Line Staff / Tellers
- Member Services / New Accounts
- Risk Manager
- Teller Supervisor



Facing risk challenges?

[Schedule](#) a free personalized discussion with a Risk Consultant to learn more about managing risk.

Risk Mitigation

Credit unions should consider these risk mitigation tips:

- Do not rely on the TreasuryDirect online tool to validate the legitimacy of savings bonds
- Educate staff to use the [Savings Bond Valuation and Verification for Financial Institutions](#) from the U.S. Department of the Treasury's Bureau of the Fiscal Service to validate savings bond. You can access the [instructions on how to use this tool](#); however, financial institutions must first obtain access from sbv@fiscal.treasury.gov.
- Refer members to the U.S. Treasury website [Cashing \(Redeeming\) EE or E Savings Bonds](#) directly through the U.S. Treasury rather than the credit union.
- Do not redeem savings bonds for newer members. If you choose to cash savings bonds, set a dollar limits as to how many and how much you will redeem for an individual.

Risk Prevention Resources

Access CUNA Mutual Group's [Protection Resource Center](#) for exclusive risk and compliance resources to assist with your loss control needs. The Protection Resource Center requires a User ID and Password.

- [Accepting Checks for Deposits](#)

Office Hours: Transactions & Fraud

[Register now](#) to join our expert risk management panelists on **Wednesday, June 15th from 1:00 – 2:00 p.m. CT** as they share insights, perspectives, and mitigation tips related to top-of-mind transaction risks and fraud in a live question and answer office hours session.



Access the Protection Resource Center for exclusive resources:

- [Loss Prevention Library](#) for resources & checklists
- [Webinars and Education](#)
- [RISK Alerts Library](#)
- [Report a RISK Alert](#)

The Protection Resource Center requires a User ID and Password.

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