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U.S. Savings Bond Fraud

SUMMARY

U.S. Savings Bonds can present a significant fraud risk when a financial institution accepts and redeems paper bonds. Fraudsters may attempt to present counterfeit, altered, stolen, or improperly obtained bonds and receive the proceeds before the institution discovers a problem.

Treasury's Guide to Cashing Savings Bonds emphasizes that financial institutions have responsibilities and potential liability when redeeming savings bonds. If an institution incorrectly cashes a bond or causes a loss, the institution may be liable unless Treasury determines the institution was not at fault or negligent.

EVALUATING THE RISK

Financial institutions may want to evaluate whether the member-service benefit of redeeming paper savings bonds justifies the associated fraud, operational, and liability risk.

For institutions that do not routinely redeem savings bonds, the approach to eliminating the risk should be to not redeem paper savings bonds. Refer customers directly to the U.S. Treasury at TreasuryDirect.gov for redemption instructions.

MITIGATING THE RISK

Since 2012, the US Treasury has stopped the sale of paper bonds. All U.S. Treasury Savings Bonds are now digital and purchased through TreasuryDirect. Staff should keep this in mind when evaluating paper savings bonds presented for redemption.

An unusually large volume of newer-looking paper bonds, or a presenter who is unable to clearly explain how the bonds were obtained, should prompt additional scrutiny and verification.

Verify the Bond

Verification should be done using the Savings Bond Valuation and Verification (SBVV) tool.

- This tool is specifically for **paying-agent financial institutions** and can verify the validity/status of a paper U.S. Savings Bond.
- SBVV is **not available to the general public.** Financial institutions must request access from Treasury by emailing **SBVV@fiscal.treasury.gov.** Treasury will whitelist the institution's public IP address(es).

Verify the Person Presenting the Bond

- Confirm the accountholder's identity using approved identification procedures.
- Determine whether the person is the registered owner or otherwise legally entitled to redeem the bond.
- Compare the signature with the institution's records when applicable.
- Consider establishing a minimum relationship requirement before redeeming paper savings bonds.
- Limit cashing of U.S. Savings Bonds; i.e., $100 per bond and $500 in total savings bond redemptions per member per week.

Establish Red-Flag Escalation

- The customer is not the registered owner.
- The account is new or recently opened.
- Multiple or unusually large-value bonds are presented.
- The customer cannot explain how the bonds were obtained.
- There are alterations, erasures, unusual markings, or questionable signatures.
- A third party is attempting to redeem the bonds.
- The transaction involves a deceased owner, estate, trust, guardian, or power of attorney.

- The customer immediately requests cash, a wire, ACH, or another rapid movement of proceeds.
- The transaction is inconsistent with the customer's normal account activity

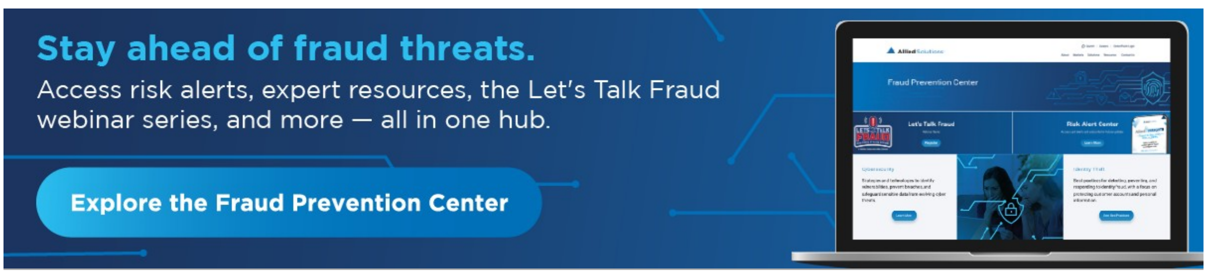
RECENT REPORTING

- 14 People Indicted in Alleged Scheme Involving Counterfeit Savings Bonds; CUs Were Primary Targets.
- A dozen people cashed counterfeit savings bonds on the MS Coast.
- Florida man who scammed Quad-Cities credit unions enters guilty pleas to theft and forgery.

RISK MITIGATION RESOURCES

- Visit our Fraud Prevention Center to learn best practices on protecting vulnerable adults

Need assistance or want to request a consultation?
Contact our risk specialists at risk_specialist@alliedsolutions.net



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