



**COMMUNITY BANKERS**

B A N K

Resourceful. Responsive. Reliable.

# CB Solutions

April 2011

Issue 6

## Outsourcing Helps to Prevent Fraud Losses

**Q:** Looking for outsourcing options that will prevent fraud losses and “free up” back office resources to focus on your customers?

**A:** In today’s banks, keeping resources focused on the customer continues to be increasingly challenging as back office managers struggle to do more with less. With increased focus on compliance and security issues, rapidly changing technology and increased competition for customers, it is critical that banks continue to seek outsourcing alternatives for activities that are not customer-focused. One option that most banks consider is the outsourcing of their official check and money order processing to MoneyGram International, an alliance partner of Community Banker’s Bank.

**There are three key reasons why a bank may pursue a full outsourcing option for one or both of these programs: Fraud loss prevention, resource utilization and technological sophistication.**

**Fraud loss prevention** - According to the American Bankers Association, industry losses related to check fraud are over \$1 billion annually, with 80% of banks reporting losses. Other organizations estimate this number to be as high as \$10 billion. Loss mitigation requires daily balancing and reconciliation and daily research into every exception item. Timeliness of returns is the most important factor in loss avoidance and many banks continue to find it difficult to insure that these activities are performed with diligence every day. A single undetected fraud item could negate any perceived savings of performing these functions in-house.

**Better utilization of bank resources** - Many banks find that by outsourcing they can free resources to focus on critical customer service, compliance and operational activities. When comparing options, it is important to consider all costs and activities in support of handling official checks and money orders including:

- Federal reserve fees for clearings, returns and adjustments
- Reject handling, research, imaging, balancing and reconciliation
- Inventory cost, design, warehousing, order processing and shipping costs
- Services provided to branch locations (copies, research, stop payments and reporting)

A full-service outsourcer will typically perform all of these services on behalf of their customer for one fee AND will be focused on performing these services, which means a higher quality, better managed program for the bank.

**Technological sophistication** - A third reason why a financial institution might consider outsourcing of these programs is the underlying technology. Having an account reconciliation system is only one small component to managing a successful official check and/or money order program. An outsourcer may be able to devote resources to developing better and more integrated supporting technologies.

In conclusion, banks continue to have reliable and beneficial options available to them that allow them to realize the benefits of outsourcing their Official Check and Money Order programs. For more information about options available, please contact MoneyGram’s Al Slagle at [aslagle@moneygram.com](mailto:aslagle@moneygram.com) or via phone at 770-649-7760. You can also contact Kathleen Mojica at [kmojica@CBBonline.com](mailto:kmojica@CBBonline.com) or via phone at 804-794-5885, x126.