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BUSINESS

Check fraud scams causing headaches for banks, customers

Pioneer Bank, itself a target of \$100 million bank fraud scheme, has a financial crimes investigation team to protect customer and bank assets

By **Larry Rulison**
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Members of the Pioneer Bank fraud department on Wednesday, Jan. 24, 2024, at the company headquarters in Colonie, NY, from left: Antoine Karam, vice president of financial crimes investigations; Allyson Webster, senior vice president of compliance and chief risk officer; Jay Yaskanich, vice president and BSA officer; and Thomas Signor, executive vice president and chief administrative officer.
Jim Franco/Times Union

COLONIE — It used to be when someone wanted to rob a bank they would put on a ski mask, walk into a branch and then slip the teller a note demanding cash under the threat of violence.

These days, criminals are looking at a bigger score, and they aren't just targeting banks but also their customers with an array of scams ranging from so-called check washing, gift card and even romance scams that prey on the emotions of victims to steal their savings.

Pioneer is no stranger to bank scams. In 2019, it discovered that one of its commercial customers, a local entrepreneur named Michael Mann, had orchestrated a decades-long scheme to obtain tens of millions of dollars in loans and lines of credit from Pioneer and other lenders across the country by doctoring financial statements and creating fake invoices for nonexistent businesses.

Mann, who pleaded guilty to a dozen felonies, is -serving a 12-year federal prison sentence, while Pioneer has sought to recoup the millions it lost through lawsuits and other measures. Mann's accounting firm, which Pioneer sued in 2020 in state Supreme Court in Albany, settled with the bank for \$5.95 million in November, according to a filing with the U.S. Securities and Exchange Commission.

Pioneer has invested heavily in security and fraud prevention, especially as the volume of consumer bank fraud increases across the country using more sophisticated methods than ever before.

The bank has created a financial crimes investigation unit. Its eight full-time investigators and analysts handled 300 fraud cases in 2023, preventing \$3 million in fraud. Leading the team is Antoine "Tony" Karam, a former deputy chief investigator with the attorney general's office, whom Pioneer hired in 2022, along with Jay Yaskanich, Pioneer's bank security officer.

The U.S. Treasury Department's Financial Crimes Enforcement Network, also known as FinCEN, sent out a nationwide alert to banks across the country last February warning of a large surge in check washing, a scheme where a thief steals checks from the mail and then "washes" out the amount and the payee's name on the check using acetone or nail polish remover, essentially creating a blank check that can be filled out with any amount to anyone. The scammers will pay "mules," often people who are desperate for money or who have addictions, to cash the checks at bank branches for them using valid IDs. Banks reported 680,000 incidents of check fraud to FinCEN in 2022, double the previous year.

Karam and Yaskanich, as well as Thomas Signor, Pioneer's chief administrative officer, and Allyson Webster, compliance and chief risk officer of the bank, spoke to the Times Union about the most common threats it and other banks are experiencing on a daily basis. They also talked about what the public can do to prevent being victimized by these scammers, who are sometimes tied to organized crime networks. The following interview was edited for brevity and clarity.

Q: *It sounds like banks are under siege from scammers. What's going on?*

A: "In late 2022 and 2023 we've really seen fraud burst in terms of the types of crimes such as check washing, mobile banking fraud, fraud against elders," Signor said. "And from that we've taken Tony's position and educated our entire team at Pioneer and really trained them to identify fraud, report identified fraud and respond to it, which has been a really large initiative here at Pioneer."

Q: *Who are the people doing these crimes? Where are they from?*

A: "Depends on the scam," Karam said. "If it's financial exploitation, it could be a neighbor or a caregiver or even a family member. If its stolen checks, theres groups coming from different areas of the country. Virginia, Georgia, local people, some people from New York City that were gang related. At one point last year, I believe we were being hit with people wearing construction vests (to look like workers on a lunch break). And they would come in with a Pioneer check and a a valid ID and try to cash the checks. And that was going on regularly, not only in this bank, but all the banks throughout the region."

Q: *How do customers react when you tell them they may be a victim of bank fraud?*

A: "You know, they don't always like the questions that we ask, or sometimes they get mad if we tell them that they're the victim of a scam," Webster said.. "But 99.9 percent of the time, they're turning around thanking Tony."

Q: *It sounds like scammers are convincing victims to put money into cryptocurrency. What makes that especially dangerous?*

A: "With bank wires, you have the opportunity to try to recall a wire, and with checks you can potentially stop payment," Yaskanich said. "But once it hits the blockchain (the system that enables the buying and selling of cryptocurrency) and its in whatever platform, that money's gone. You can't find it. It's probably been in three countries before you even realize the money's gone."

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Larry Rulison has been a reporter for the Albany Times Union since 2005. Larry's reporting for the Times Union has won several awards for business and investigative journalism from the New York State Associated Press Association and the New York News Publishers Association. Contact him at 518-454-5504 or lrulison@timesunion.com.