Man Allegedly Bilks E-trade, Schwab of $50,000 by Collecting Lots of Free 'Micro-Deposits'

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A California man has been indicted for an inventive scheme that allegedly siphoned $50,000 from online brokerage houses E-trade and Schwab.com in six months -- a few pennies at a time.

Michael Largent, 22, of Plumas Lake, California, allegedly exploited a loophole in a common procedure both companies follow when a customer links his brokerage account to a bank account for the first time. To verify that the account number and routing information is correct, the brokerages automatically send small "micro-deposits" of between two cents to one dollar to the account, and ask the customer to verify that they've received it.

[image: Hankhill]

Michael Largent allegedly used a script to open 58,000 online brokerage accounts in the names of cartoon characters, and other aliases. *Hank Hill courtesy Fox Broadcasting*

Largent allegedly used an automated script to open 58,000 online brokerage accounts, linking each of them to a handful of online bank accounts, and accumulating thousands of dollars in micro-deposits.

I know it's only May, but I think the competition for Threat Level's Caper of the Year award is over.

Largent's script allegedly used fake names, addresses and Social Security numbers for the brokerage accounts. Largent allegedly favored cartoon characters for the names, including Johnny Blaze, *King of the Hill* patriarch Hank Hill, and Rusty Shackelford. That last name is doubly-fake -- it's the alias commonly used by the paranoid exterminator Dale Gribble on *King of the Hill*.

The banks involved included Capital One, Metabank, Greendot and Skylight. Largent allegedly cashed out by channeling the money into pre-paid debit cards.

A May 7 Secret Service search warrant affidavit (.pdf) says Largent tried the same thing with Google's Checkout service, accumulating $8,225.29 in eight different bank accounts at Bancorp Bank.

When the bank asked Largent about the thousands of small transfers, he told them that he'd read Google's terms of service, and that it didn't prohibit multiple e-mail addresses and accounts. "He stated he needed the money to pay off debts and stated that this was one way to earn money, by setting up multiple accounts having Google submit the two small deposits."

The Google caper is not charged in the indictment. (.pdf)

According to the government, Largent was undone by the USA Patriot Act's requirement that financial firms verify the identity of their customers. Schwab.com was notified in January that more than 5,000 online accounts had been opened with bogus information. When the Secret Service investigated, they found some 11,385 Schwab accounts were opened under the name "Speed Apex" from the same five IP addresses, all of them tracing back to Largent's internet service from AT&T.

Largent is free on bail. He's charged in federal court in Sacramento with four counts each of computer fraud, wire fraud and mail fraud. He didn't return repeated phone calls Tuesday; Representatives of E-trade, Schwab.com and Google also didn't return phone calls.

(Updated with Largent's age.)
