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NEWS RELEASE

For Immediate Release

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FRAUDULENT CASHIER'S CHECKS HOW TO PROTECT YOURSELF

Boise, Idaho...Governor C.L. "Butch" Otter has designated the month of April as Financial Literacy Month for the State of Idaho. "Financial Literacy Month is designed to raise the public's awareness about personal finance issues. It is a time to spotlight the financial education programs available to all Idahoans," said Gavin Gee, Director of the Idaho Department of Finance. "This month partners in the public and private sectors have joined to strengthen financial literacy education in Idaho. For its part, the Department of Finance will be providing educational forums, school presentations, and press releases such as this one," stated Gee.

FRAUDULENT CASHIER'S CHECKS

According to the Federal Deposit Insurance Corporation, "There's been explosive growth in counterfeit personal and business checks, cashier's checks, and money orders in the last few years, due in part to new technologies and the growth of the Internet for transactions among strangers. But what's especially troubling is that individual consumers and businesses are losing significant sums in these scams – often thousands of dollars – because they deposited a check from a stranger, withdrew the funds and then sent money or merchandise before their bank discovered that the check was fraudulent." The suggestions provided in this press release can be used to help consumers and businesses protect themselves from fraudulent cashier's checks, as well as other fraudulent checks and money orders.

A legitimate cashier's check is a check issued or written by a financial institution and sold to a consumer or other purchaser. The funds for the amount of the check are set aside in a special account at the financial institution, making the check a direct obligation of the financial institution. This form of remittance has in the past provided a safe way to receive payment on items an individual may be selling locally or through the internet.

The problem arises when the check provided is fraudulent. Typical scams utilize fake cashier's checks in a number of pitches: 1) as payment for a product or service, 2) as the remittance for a supposed windfall (lottery winning, cash prize, or inheritance), 3) as a bonus payment or signing

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bonus for an internet employment opportunity. The amount of the fraudulent check is normally greater than the expected amount or, in the case of the windfall, it is claimed that taxes and legal fees need to be paid from the winnings. The party providing the check then requests that the excess amount (or taxes) be wired back to them as soon as the funds are available in the customer's financial institution account. Federal regulations require institutions to make funds available, generally, in 1 to 5 business days for cashier's checks, thus allowing the funds to be paid out before the financial institution realizes that the cashier's check is fraudulent. It may take more than two weeks before the check is returned as fraudulent and the full amount of the check deducted from the depositor's account. The victim may lose not only the product or service he was selling but also any excess amount wired to the party who presented the fake check. **Consumers should be advised that wire transfers are instantaneous and a non-reversible form of funds transfer.**

An example of this scam is as follows: you are selling an item for \$3,000 through the internet and the buyer sends you a cashier's check for \$5,000, with a plausible explanation provided for why the check is more than expected. The buyer requests that you deposit the full amount of the check and wire him/her the difference of \$2,000 after the funds are available (1 to 5 business days). You as the seller mail out your product and wire the \$2,000. Two weeks later the financial institution deducts \$5,000 from your account because the check was a fake. You are now without the \$5,000 in your account, missing the additional \$2,000 wired, and not having possession of the original product.

Due to the sophistication of fraudulent activity, fake cashier's checks are difficult for consumers/businesses to detect and often go unrecognized by financial institution tellers. An FDIC fraud specialist indicates that an individual should not focus on trying to determine the validity of the check itself, but should watch for the basic signs of a scam. The Federal Trade Commission offers the following tips to help protect consumers from cashier's check and "advance fee" fraud schemes:

- **Know who you're dealing with.** In any transaction, independently confirm the buyer's name, street address, and telephone number.
- **Don't accept a check for more than your selling price, no matter how tempting.** Ask the buyer to write the check for the correct amount. If the buyer refuses to send the correct amount, return the check. Don't send the merchandise.
- **Consider an alternative method of payment.** As a seller, you can suggest an escrow service or online payment service. There may be a charge for an escrow service. If the buyer insists on using a particular escrow or online payment service you've never heard of, check it out. Visit its website, and read its terms of agreement and privacy policy. Call the customer service line. If there isn't one or if you call and can't get answers about the service's reliability, don't use the service. To learn more about escrow services and online payment systems, visit www.ftc.gov/onlineshopping.
- **If you accept payment by check, ask for a check drawn on a local financial institution, or a financial institution with a local branch.** That way, you can make a personal visit to make sure the check is valid. If that's not possible, call the financial institution where it was purchased and ask if the check is valid. Get the financial institution's phone number from directory assistance or an Internet site that you know and trust, not from the person who gave you the check.
- **If the buyer insists that you wire back funds, end the transaction immediately.** Legitimate buyers don't pressure you to send money by Western Union or a similar company. In addition, you have little recourse if there's a problem with a wire transaction.

- **Resist any pressure to “act now.”** If the buyer’s offer is good now, it should be good after the check clears the issuing financial institution.
- **Throw away any offer that asks you to pay for a prize or a gift.** If it’s free or a gift, you shouldn’t have to pay for it. Free is free.
- **Resist the urge to enter foreign lotteries.** Most foreign lottery solicitations are phony. What’s more, it’s illegal to play a foreign lottery through the mail or the telephone.

The FDIC also advises consumers to not depend on a phone number and address printed on a check or provided by the buyer. It is always best to use a phone number and address listed in phone books or other third party directories, as the source for contact information.

For more tips and information, you may find the following addresses helpful:

- FTC Web Site – Check overpayment scams
<http://www.ftc.gov/bcp/online/pubs/alerts/overpayalrt.htm>
- OCC Consumer Complaints and Assistance Web site, tips on the 419 Advance Fee Scam
<http://www.occ.treas.gov/AntiFraudConsumer.htm#419AdvancedFeeSchemes>
- FDIC FraudAlert – Bogus Bonus Checks
http://www.pueblo.gsa.gov/cic_text/housing/hcloans/fraud.html

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