

How To Avoid Costly Scams Involving Fraudulent Cashier's Checks and Money Orders

- **Unexpected windfall.** The consumer receives a letter stating that the consumer has the right to receive a substantial sum of money. For example, the letter may state that the consumer has won a foreign lottery or is the beneficiary of someone's estate. The letter will explain that the consumer must pay a processing/transfer tax or fee before receiving the money, but a cashier's check will be enclosed to cover that fee. The letter will ask the consumer to deposit the check into a deposit account and wire the fee to a third party, usually in a foreign country.
- **Mystery shopping.** The consumer receives a letter stating that he or she has been chosen to act as a mystery shopper. The letter includes a cashier's check, and the consumer is told to deposit the check into his or her account. The consumer is told to use a portion of these funds to purchase merchandise at designated merchants and to transfer the remainder of the funds to a third party using a designated wire service company.
- **Money Transfer Agent.** The consumer is solicited to act as a money transfer agent. The consumer is told that he or she will receive cashier's checks to deposit into his or her account. The consumer is then told to wire specific sums to various persons or accounts in other countries.

Watch for the Red Flags of Check Fraud...

- The reasons for receiving a check are suspicious. (***How could you win a lottery you never entered?***) If you really won something and owed money, why wouldn't they just deduct that amount from your winnings?
- You're pressed to send money right away. (***They're rushing you to act before you discover that the check is bad.***)
- You're warned to keep things quiet – to not discuss the deal with anyone else. (***It's to prevent your friends or others from warning you about a counterfeit check.***)
- You're asked to send money outside of the United States. (***That's because it is difficult to track people down in another country.***)

Don't
Become
the
Next
Victim!



Blue Bell Office

1407 Erbs Mill Road • Blue Bell, PA 19422
Phone (610) 275-8440 • Fax (610) 275-6473

King of Prussia Office

588 N. Gulph Road • King of Prussia, PA 19406
Phone (610) 768-2020 • Fax (610) 768-2444

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Things You Can Do To...

Avoid Costly Scams Involving Fake Checks and Money Orders

Consumers and businesses often lose thousands of dollars in transactions with con artists.

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 financial institution discovered that the check was fraudulent.

In these cases, *the depositor most likely will be held responsible for the entire amount of the fraudulent check.* Why? Because by depositing the check and withdrawing the money, the consumer is taking responsibility for the funds that have been spent or sent before the check is found to be worthless. And often the withdrawal cannot be cancelled or reversed, especially with wire transfers, in which funds are transferred out of the account immediately. Also, the person who receives the check usually is in the best position to realize that it may not be good.

Important Reminders

- 1. If you deposit a check from a stranger, discuss the situation with your financial institution before spending that money or handing over anything of value.** It's safer not to accept checks from strangers, but if you do, tell your financial institution about the circumstances surrounding the check and ask when the check is likely to be considered "good" (paid). While federal regulations require institutions to make funds from a deposit available quickly – generally within one to five business days – it can take a couple of weeks or longer before the financial institution discovers that the deposited check is worthless. The check could be counterfeit or bounce because of insufficient funds, and your financial institution will most likely hold you responsible for that money.

- 2. Walk away from any deal if you get a check for more than the amount due and you're instructed to return the difference.** Let's say you sell a \$5,000 item over the Internet and the buyer sends a check or money order for \$10,000. The buyer, who has an explanation why the check is for more than what you expected, instructs you to deposit the check and wire the excess amount to his account or to the account of an associate. It may take a couple of weeks, but eventually the check will be returned as counterfeit.
- 3. Take additional precautions to make sure a check is good.** Consider insisting on being paid with a money order or a cashier's check (not a personal check) drawn on a local financial institution. That way you can take the check to that financial institution to ensure it's valid.

Also, consider asking for a money order from the U.S. Postal Service. These come in values of up to \$1,000 for domestic money orders and up to \$700 for international money orders.

To confirm that a Postal Service money order is valid or to cash it, you can take it to a local post office. You can also verify a Postal Service money order by using an automated service at toll-free **1-866-459-7822**.

- 4. Immediately report if you think you're a victim of a check fraud or if you notice something suspicious.** Contact your financial institution as well as the local office of the FBI (listed in your phone book and on the FBI website at: www.fbi.gov/majcases/fraud/fraudschemes.htm). Also, notify the **National Fraud Information Center** at www.fraud.org or **800-876-7060**. There are also more detailed tips about fake check scams in the tele-marketing and internet fraud sections of the website.

Fraudulent Cashier's Checks

Categories:

- **Selling goods.** The consumer sells goods in the marketplace, for example, over the Internet. A buyer sends the consumer a cashier's check for the agreed-upon price, and the consumer ships the goods to the buyer.
- **Excess of purchase price.** This pattern is similar to the one described above. However, the buyer sends the consumer a cashier's check for more than the purchase price and asks the consumer to wire the excess to a third party, often in a foreign country.