



PRESIDIO BANK

## Consumer Check Fraud Prevention

### *Fighting Check Fraud Today*

Provides information regarding types of Check Fraud and tips on how you can prevent check fraud.

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#### What is Check Fraud?

Check fraud is one of the significant challenges facing consumers today. With the advancement of computer technology it increasingly easy for criminals, either independently or in organized gangs, to manipulate checks in such a way as to deceive innocent victims expecting value in exchange for their money.

A significant amount of check fraud is due to counterfeiting through desktop publishing and copying to create or duplicate an actual financial document, as well as chemical alteration, which consists of removing some or all of the information and manipulating it to the benefit of the criminal. In most cases, these crimes begin with the theft of a financial document. It can be perpetrated as easily as someone stealing a blank check from your home or vehicle during a burglary, searching for a canceled or old check in the garbage, or removing a check you have mailed to pay a bill from the mailbox.

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#### Types of Check Fraud:

##### Forgery

- Criminals will steal a check, endorse it and present for payment at a retail location or at the bank teller window, using bogus personal identification.

##### Counterfeiting and Alteration

- Counterfeiting can either mean wholly fabricating a check --using readily available desktop publishing equipment consisting of a personal computer, scanner, sophisticated software and high-grade laser printer -- or simply duplicating a check with advanced color photocopiers.
- Alteration primarily refers to using chemicals and solvents such as acetone, brake fluid and bleach to remove or modify handwriting and information on the check. When

performed on specific locations on the check such as the payee's name or amount, it is called-spot alteration; When an attempt to erase information from the entire check is made, it is called-check washing.

### Paperhanging

- This problem primarily has to do with people purposely writing checks on closed accounts, as well as reordering checks on closed accounts.

It has been estimated that the annual losses due to check fraud are in the billions of dollars and continues to grow steadily as criminals continue to seek ways to earn a living by defrauding others. For the consumer, the amount of inconvenience and anxiety caused by resolving problems with the account, local merchants, as well as possible repercussions with credit bureaus can be considerable.

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### Signs for bad checks:

Below are several signs which may indicate a bad check. While one sign on its own does not guarantee a check to be counterfeit, the greater the number of signs, the greater the possibility that the check is bad.

1. The check lacks perforations.
2. The check number is either missing or does not change.
3. The check number is low (like 101 up to 400) on personal checks or (like 1001 up to 1500) on business checks. (90% of bad checks are written on accounts less than one year old.)
4. The type of font used to print the customer's name looks visibly different from the font used to print the address.
5. Additions to the check (i.e. phone numbers) have been written by hand.
6. The customer's address is missing.
7. The address of the bank is missing.
8. There are stains or discolorations on the check possibly caused by erasures or alterations.
9. The numbers printed along the bottoms of the check (called Magnetic Ink Character Recognition, or MICR, coding) is shiny. Real magnetic ink is dull and non glossy in appearance.

10. The MICR encoding at the bottom of the check does not match the check number.
11. The MICR numbers are missing.
12. The MICR coding does not match the bank district and the routing symbol in the upper right-hand corner of the check.
13. The name of the payee appears to have been printed by a typewriter. Most payroll, expenses, and dividend checks are printed via computer.
14. The word VOID appears across the check.
15. Notations appear in the memo section listing "load," "payroll," or "dividends." Most legitimate companies have separate accounts for these functions, eliminating a need for such notations.
16. The check lacks an authorized signature.

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## **Check Fraud Tips for the Consumer**

Fraud professionals have become increasingly skilled and sophisticated, thanks to advances in readily available technology such as personal computers, scanners and color photocopiers. Criminals today can defraud you and your financial institution quite easily with a blank check taken from your check book, a canceled check found in your garbage, or a check you mailed to pay a bill. Therefore, it is important to follow a common-sense, logical approach with the way you use and store your checks.

1. Make sure your checks are endorsed by your financial institution and incorporate security features that help combat counterfeiting and alteration.
2. Store your checks, deposit slips, bank statements and canceled checks in a secure and locked location. Never leave your checkbook in your vehicle or in the open.
3. Reconcile your bank statement within 30 days of receipt in order to detect any irregularities. Otherwise, you may become liable for any losses due to check fraud.
4. Never give your account number to people you do not know, especially over the telephone. Be particularly aware of unsolicited phone sales. Fraud artists can use your account without your authorization and you may end up being responsible.
5. Unless needed for tax purpose, destroy old canceled checks, account statements, deposit tickets, ATM receipts (they also frequently have your account number and worse yet, your account balance). The personal information on it may help someone impersonate you and take money from your account.
6. When you receive your check order, make sure all of the checks are there, and that none are missing. Report missing checks to your bank at once. Should you fail to receive your

order by mail, alert your bank. Checks could have been stolen from mail box or lost in transient.

7. If your home is burglarized, check your supply of checks to determine if any have been stolen. Look closely, because thieves will sometimes take only one or two checks from the middle or back of the book. The longer it takes to detect any of your checks have been taken, the more time the criminal has to use them successfully.
  8. If someone pays you with a cashier's check, have them accompany you to the bank to cash it. If at all possible, only accept a check during normal business hours so you can verify whether it is legitimate. Make sure you obtain identification information from the individual.
  9. Do not mail bills from your mailbox at night. It is a favorite location from which a criminal can gain possession of your check with the intent to defraud you. Criminals will remove a check from your mailbox and either endorse it using bogus identification, photocopy and cash it repeatedly, scan and alter the check, or chemically alter it. The Post Office is the best location from which to send your bill payment.
  10. Limit the amount of personal information on your check. For example, do not include your Social Security, driver's license or telephone numbers on your check. A criminal can use this information to literally steal your identity by applying for a credit card or loan in your name, or even open a new checking account.
  11. Don't leave blank spaces on the payee and amount lines.
  12. The type of pen you use makes a difference. Most ballpoint and marker inks are dye based, meaning that the pigments are dissolved in the ink. But, based on ink security studies, gel pens, like the Uniball 207 uses gel ink that contains tiny particles of color that are trapped into the paper, making check washing a lot more difficult.
  13. Don't write your credit card number on the check.
  14. Use your own pre-printed deposit slips, and make sure the account number on your slip is correct. Thieves occasionally alter deposit slips in the hope you won't notice and the money goes into their account.
  15. Don't make a check payable to cash. If lost or stolen, the check can be cashed by anyone.
  16. Never endorse a check until you are ready to cash or deposit it. The information can be altered if it is lost or stolen.
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