

ANY LOSS PREVENTED IS ADDITIONAL PROFIT FOR YOUR BANK

# SECURITY OFFICER'S BY-WORD

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## When is a Check "Good"? - What Every Bank Customer Should Know

With the increased use of the Internet and e-mail, there are a growing number of ways in which good, well-known bank customers are being scammed. These scams vary in size from a few hundred dollars to hundreds of thousands of dollars stolen from a single customer. There are many stories used in these scams; they are too numerous to list. The scams all have two things in common.

First, the scams involve convincing the good bank customer that the stranger is "trusting" the victim with his funds. The crook wants the victim to be in a position to "prove" he can be trusted. Second, a check of some sort is sent to be deposited to the victim's account. The check names the good bank customer as the payee. When the victim is a longtime, well-known customer of the bank, it is not likely that the bank will refuse to accept deposit of the check. The check may be drawn on an account of a large, well-known company; it may appear to be a U.S. government check; it may appear to be a cashier's check. However, in every case, the check is not valid. It may be a completely fictitious check drawn on a nonexistent entity at a nonexistent bank. It may be a fictitiously created check drawn on an actual company's account. It may be a check drawn on a Canadian bank. It may be a properly issued check which was stolen from the mail, chemically washed to remove the original payee and altered to show the victim as payee.

### How does the crook get the money?

The crook convinces the victim to send part of the check proceeds to an accomplice as soon as the bank will allow the customer to withdraw the funds. The reason given for sending the money varies. It could be a percentage was agreed to be paid as part of the "deal". Funds may need to be paid to release additional funds. Funds may need to be paid for alleged taxes, licenses, fees or attorney fees for the deal. The amount of the check may be more than what was owed so a portion of the funds need to be returned. The customer may be told that a foreign company needs an agent to cash a check in the U.S. and then wire the funds. The stories are sometimes very believable.

### How long should I wait to know the check is "good"?

It is almost impossible to tell when you have waited long enough. It is possible to be liable for the check for several years. Just because an account is credited and the bank releases any holds on the funds does not mean that the check is good. It is possible under normal circumstances for a check drawn on another U.S. bank to be

returned for a forged maker's signature two weeks after the deposit is made. If the check is drawn on a Canadian bank, the check can be returned several months later. If it is a fictitious check drawn on the U.S. Treasury, the credit can be reversed many months after the check was deposited. However, waiting weeks or even months is not always safe. If a legitimate check was stolen from the mail and then altered, the check can be returned for three years, or more, after it was deposited. When the check can be returned to the depository bank, the depository customer will be liable for the check.

### How can I verify that a check is "good"?

It is almost impossible to tell if a check is "good". It is often possible, however, to verify that the check is definitely invalid. If the check is drawn on a phony account or is a phony cashier's check, contacting the bank it is alleged to be drawn on may help determine that it is worthless. However, if you contact the bank, they cannot tell you whether or not the check was stolen from the mail and altered. Only the maker of the check can provide that information. You may be able to contact the maker of the check directly; however you should never use a phone number listed on the check. You will need to independently locate the phone number of the maker. However, even if you do all the verification possible, there is still a possibility that the check could be returned years later, and you will be stuck.

### Too Good to be True?

Most of these scams fall into the "too good to be true" category. If it seems to be too good to be true, it is. The crooks take advantage of the fact that even their skeptical victims often can't figure out how they are being scammed. Whenever you negotiate a check, you have the potential for long-term liability. If you are being asked to cash a check for a stranger and send someone part of the money, you are being scammed. Don't do it.

### The Bottom Line

When a check is cashed, your bank often allows the funds to be withdrawn within a few days. However, if the check is not valid, the depositor can be liable for the check for a very long period of time. You need to be skeptical of any check received from a stranger. If you are asked to deposit a check and send some of the funds to others, simply refuse. It could save you from a long-term financial mess.

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