CASHIER'S CHECKS & OTHER OFFICIAL INSTRUMENTS

Would You Be Deceived?

Cashier's checks have long been a trusted method for making a payment. Recently, however, the use of counterfeit cashier's checks and other official instruments is on the rise. Why? Because fraudsters and con artists find it more lucrative to prey on and exploit the things we trust the most. In addition, the availability of scanners and high-quality printers has made it easier for these scammers to create genuine-looking counterfeit documents.

Most often, fraudsters purposely try to take advantage of unsuspecting individuals and other unsophisticated parties. Specifically, they want to scam people that may not be capable of identifying the fraud for what it is or pursuing the perpetrator after the fact.

The information in this brochure applies generally to cashier's checks and other official instruments, such as official checks and money orders.

WHAT IS A CASHIER'S CHECK?

A cashier's check is a check drawn by a financial institution on its own funds and made payable to another person or entity.

WHY USE A CASHIER'S CHECK?

Unlike personal checks, which are often greeted with suspicion, cashier's checks are viewed as reliable or even "as good as cash." Most people trust that a financial institution will be good for the money and that the item is not going to bounce or be returned for insufficient funds. That's why cashier's checks are often used to transfer large sums of money where a buyer might not want to carry a lot of cash and a seller might not want to accept a personal check for a large dollar amount. This makes using a cashier's check ideal.

Even the federal government has traditionally viewed cashier's checks as being a trusted form of payment. In fact, in most circumstances, federal law requires financial institutions to make funds deposited from a cashier's check available for withdrawal from a checking account within one business day.

❖ ARE CASHIER'S CHECKS STILL A RELIABLE FORM OF PAYMENT?

Yes. Cashier's checks are still a very reliable form of payment. However, given that the use of counterfeit cashier's checks is on the rise, we should all exercise more caution when accepting them or any official instrument.

❖ HOW DO FRAUDSTERS USE CASHIER'S CHECKS IN THEIR SCAMS?

There are countless ways in which a con artist might use a counterfeit cashier's check. However, the federal government has identified five common scenarios:

- **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.

- **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 an 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 will receive cashier's checks to deposit into his account. The consumer is then told to wire specific sums to various persons or accounts in other countries.

In each of the scenarios, the consumer believes that the cashier's check is valid and deposits the check into an account. After the financial institution makes the funds available to the consumer, the consumer sends goods or, where requested, funds to the third party. Some time later, the check is returned unpaid because the check is discovered to be fraudulent. The financial institution then reverses the credit to the consumer's account. As a result of this check fraud, the consumer suffers a loss of the goods sold, the funds wired, or both.

❖ WHAT IS THE DIFFERENCE BETWEEN "AVAILABLE" AND "CLEARED"?

Many people incorrectly think that "available" means "cleared." "Available" means that the financial institution is making the funds available for withdrawal. However, the credit to your account can still be reversed if the check doesn't clear. "Cleared" means the financial institution that took the check has received payment for the funds. In other words, the check is good.

❖ HOW CAN YOU PROTECT YOURSELF?

Of course, the best way to protect yourself is to know the person or people you're dealing with. Ask yourself:

- Do I know the person?
- What is the likelihood that they are who they say they are?
- Are they in the phone book?
- Can I verify their name and address on-line?
- Do they live nearby?
- How difficult will it be to collect from them if the check is no good?
- Are they telling me a story or making any excuses?
- Are they acting with a sense of urgency?
- Are they offering me a deal that's too good to be true (like paying more than the asking price)?
- Are you being asked to wire money to someone in a foreign country?

If you're not comfortable with the answers you get, it could be a scam and you should refrain from going forward with the transaction.

When accepting a cashier's check or other official instrument, consider:

- Whether the transaction is one that might attract a fraudster.
- Contacting the issuing financial institution to verify that the check is authentic. Be sure to use a phone number that you know to be legitimate; don't assume the number on the check is correct.
- Not going through with the transaction if you can't authenticate the check.
- Not releasing the goods until the check has cleared (remember the difference between "cleared" and "available").
- Contacting us if you suspect an at-risk situation, maybe we can help.

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