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NEW ANTI-FRAUD PROGRAM LAUNCHED IN TENNESSEE
Aim is to Protect Consumers and Financial Institutions from Fake Check Scams

NASHVILLE, Tenn. – The Tennessee Department of Commerce and Insurance, Tennessee Department of Financial Institutions, Tennessee Credit Union League and Consumer Federation of America announce today the start of an anti-fraud program created to educate consumers and financial institutions about fake check scams.

Under the program, participating banks and credit unions will distribute a “Don’t Become a Target” brochure to any consumer who deposits a check or money order totaling more than \$1,000 or makes a withdrawal totaling \$1,000 or more. Currently, 23 banks and credit unions across Tennessee are participating in the program.

“The key is to prevent consumers from being victimized by educating them about these scams at the very point where they may be at risk,” said Susan Grant, CFA’s director of consumer protection, who is coordinating the project.

A fake check scam occurs when an individual receives a genuine-looking check or money order, and is asked to wire money in return for the full amount listed on the check. For instance, the check may be described as an “advance” on money that an individual has won in a sweepstake or lottery. The individual is then instructed to send money to pay the taxes in order to claim the rest of the prize. In another popular scenario, an individual is recruited to work at home as a mystery shopper or asked to process payments for a company, and is instructed to send in money as part of the job. In the end, the check or money order is phony, and when it bounces the individual owes money back to the financial institution where it was deposited or cashed. According to CFA, the average loss in a fake check scam is \$3,000 to \$4,000.

“It’s impossible to detect these counterfeit checks just by looking at them,” said Mary Clement, Director of Consumer Affairs in the Consumer Protection Division of the Department of Commerce and Insurance. “The message that we want to give consumers is that there is no legitimate reason why anyone who wants to give them money would ask them to send money anywhere in return. If that’s the deal, then it’s a scam.”

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Federal law gives consumers the right to access their funds quickly, usually within one to two days. However, it is often difficult or impossible for the consumer's financial institution to identify if there is a problem with a check or money order until it has been completely processed, which can take several days or weeks.

"These scams take advantage of the trust that the financial system is built upon," said Greg Gonzales, commissioner of the Department of Financial Institutions. "Through our experience with these scams, we urge consumers to be cautious and responsible about the checks or money orders they cash or deposit. With programs and educational outreach, we hope to educate consumers about the potential liability associated with fake check scams."

"Fake check scams are a serious problem for consumers. Credit unions want to do all they can to educate their members. That's why we're excited to be a partner in this consumer education program," said Trish Patterson, Vice President, Education and Information, Tennessee Credit Union League. "Consumers and financial service personnel need to be able to recognize the warning signs of fraud in order to prevent it."

CFA created the "Don't Become a Target" brochure, and is providing them to participating banks and credit unions at no cost. Institutions may be asked to cover shipping expenses. To help financial institutions prepare for the project, CFA distributed training materials about fake check scams and offered advice on handing out the brochures.

In addition to the hard-copy brochure, which is available in English and Spanish, there are two electronic versions, on CFA's website at www.consumerfed.org/fakecheckscams. The website also contains a PowerPoint presentation and other educational materials concerning fake check scams.

Quantities of the brochure will also be available to government agencies and nonprofit organizations that conduct consumer education programs in Tennessee. CFA is not offering hard copies of the brochure directly to consumers.

Tennessee is one of several states in which CFA will conduct this project over the next several months. Participating financial institutions in Tennessee are listed below. Tennessee banks and credit unions that wish to sign up for the program should contact Susan Grant at CFA, 202-387-6121.

Tennessee Financial Institutions Participating in Fake Check Consumer Education Project

Bowater Employee Credit Union
Citizens Bank
Citizens Bank of Blount County
Citizens Savings Bank and Trust Company
City Employees Credit Union
Civic Bank and Trust
Clayton Bank and Trust
Community Bank and Trust
Cumberland Bank and Trust
Enrichment Credit Union
First Alliance Bank
Foothills Federal Credit Union

Franklin County United Bank
Healthcare Services Credit Union
HealthNet Federal Credit Union
iTrust Federal Credit Union
Kennedy VA Employees Federal Credit Union
Lauderdale County Bank
Northeast Community Credit Union
People's Bank and Trust of Pickett County
The Community Bank of East Tennessee
TriSummit Bank
United Community Bank