



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

“Tear Up” Fake Check Scams May 2009

How fake check scams work

- You receive a check or money order with instructions to wire a portion of the money somewhere – for instance, for taxes on a sweepstakes you supposedly won or fees to get a grant. Or it could be a phony job offer, where you are asked to process payments for a foreign business or make purchases as a mystery shopper and wire the remaining money to your employer minus your “pay.” In another popular variation, the person offers to buy something you advertised for sale, sends a check or money order for more than the asking price, and tells you to wire the extra to someone who will arrange for shipping.
- The check or money order looks genuine but it’s phony, and so is the person’s story. After depositing or cashing it and wiring the money, you learn that it was counterfeit.
- Not only are you responsible to pay the money back to the bank, credit union, or check cashing service, but you may never be able to recover it from the crook.

Millions of people are in danger

- Fake check scams are the number one fraud reported to the National Consumer’s League’s Fraud Center; accounting for more than 40 percent of all complaints in 2008. At the Federal Trade Commission, which receives more than 1,000 complaints about fake check scams every month, it ranks among the top five frauds.
- In a CFA survey of adults in the U.S.¹ nearly one-third (30 percent) said they had been approached with some form of fake check scam. The most common were those involving sweepstakes/lotteries (66 percent), grants (36 percent) and work-at-home opportunities (35 percent).
- Two percent of the people who were approached admitted they sent the money to the scammers. That percentage, similar to the response rate that legitimate direct marketing campaigns typically generate, means that at least 1.3 million adults in the U.S. have been victims.
- With an average loss of \$3,000-\$4,000 per victim, billions of dollars have been pocketed by these scammers.

Why is this scam so prevalent?

- Tough economy. Fraud is always lurking, but when people are in financial difficulty they may be even more vulnerable to phony claims of sudden riches or ways to make money.
- Quick access to your money. Federal law requires financial institutions to give consumers access to the money from checks or money orders they deposit within 1-5 business days. But just because funds are available doesn’t mean the check or money order is good. It may take weeks for a counterfeit to be discovered, and when it is, the scammer has the money and you’re on the hook.
- Consumer misunderstanding. Fifty-nine percent of the respondents in CFA’s survey incorrectly believe that when you deposit a check or money order, your bank confirms that it is good before allowing you to withdraw the money. WRONG! The number goes up to 70 percent among young adults age 18-24, and 71 percent of people with incomes under \$25,000 and those who did not complete high school. More than 40 percent of those surveyed do

¹ Telephone survey of 2,000 adults conducted for CFA by Opinion Research Corporation December 4-8, 2008

not know that they are liable if the checks or money orders they deposit or cash are counterfeit. Fifty-two percent age 18-24 and half of Hispanics incorrectly said the person who gave you check must pay the bank back.

- Clever crooks. They use many variations of the scam to trick people. They often operate from Canada and other foreign countries, making it difficult for U.S. law enforcement to pursue them. And they cover their tracks by picking up the money in cash and using phony identification.

How can you “tear up” fake check scams?

- Never agree to pay to claim a prize. No legitimate sweepstakes or lottery would ever send you a check or money order and ask you to send payment in return. If you really won, you would pay taxes directly to the government.
- Never agree to pay for grants from the government or foundations. They don't offer money to people unexpectedly or charge to get it. Most grants go to organizations, not individuals, and require a lengthy and extensive application process. See new tips on grant scams at www.fakechecks.org/prevention-faqs04.html.
- Never agree to cash checks and send the money somewhere as part of a job working from home. That is not how legitimate employers operate. See new tips on mystery shopping scams at www.fakechecks.org/prevention-faqs-05.html.
- Never agree to wire money to anyone you have not met in person and known for a long time.
- If it seems suspicious, get advice. Consult your state or local consumer protection agency, the Federal Trade Commission, the Postal Inspection Service, or another trusted source.
- Remember that there is *no* legitimate reason why anyone who wants to give you a check or money order for something would *ever* ask you to send money anywhere in return. Go to www.fakechecks.org to learn more about how to protect yourself from fake check scams.

Help from CFA 's Fake Check Task Force

- Consumer Federation of America, a nonprofit consumer advocacy organization based in Washington DC, created the task force in May 2008. The goal is to bring nonprofit consumer organizations, government consumer protection agencies, and businesses and trade associations together to fight fake check scams through greater education and awareness.
- Go to www.fakechecks.org to see new information about grant and mystery shopping scams and send an ecard to warn people you know about fake check scams.
- Go to www.consumerfed.org/other/FakeCheckScams.asp for ready-to-use news articles and other educational resources.
- The CFA Fake Check Task Force has also developed training materials about fake check scams for financial service companies and law enforcement and consumer protection agencies. These materials are not intended for the general public. Contact Susan Grant at CFA, 202-387-6121.