

Check Acceptance Best Practices & Tips

- Know your customers.
- Be impressed with the check itself - not the check writer.
- Don't accept counter or temporary checks.
- Don't accept checks printed on a home computer.
- Accept checks only from your local trade area unless approved by management. Out-of-town checks, and especially out-of-state checks are much more likely to be stolen or closed accounts.
- Don't accept checks with low check numbers unless you personally know the check writer. Checks numbered under 200 are much more likely to be returned than established accounts. The lower the number the more likely the problem. Also be aware many banks are starting new accounts at #1000 instead of #100. Therefore check #1005 poses the same risk as check #105.
- Avoid cashing payroll checks. The counterfeiter will almost always counterfeit payroll checks. Always verify checks with a check reader. If it has a problem reading the check it may be due to the check's micr line not being printed with magnetic ink. Most counterfeiters use a laser jet or copy machine (which use toner) or an ink-jet printer. All real checks will use magnetic ink.
- Don't accept two-party checks. You are not a bank. Frauds and problem collections greatly increase with two-party checks. The one who cashed the check will say it wasn't his check that bounced and to go after the one who wrote him the check. The one who wrote the check will say "I didn't get your money - go after the person who cashed it."
- Don't allow the check writer to write the check for cash over the sale amount.
- Set guidelines regarding the types of checks your business will accept - personal, two-party, payroll, government, or traveler's checks. Make sure signs are posted in your establishment so customers know your check cashing policy.
- Examine the check - is it properly completed? Do the amounts match? Is it signed? Did the check writer take an unusually long time to carefully sign their name? Did they try to distract you during the transaction?
- Always get a picture ID - actually compare the picture and signature - don't just write down the DL #. If the customer writes down the DL # for you compare it to the DL # anyway. Fraud artists often write the number, hoping the clerk won't ask for it. It will never be the correct number in these cases. They'll probably then tell you they forgot their driver's license.
- Get a physical home address, home phone and work phone number. Collection rates greatly increase with a second phone number when traditional collection methods must be used. If the address is a post office box ask for a physical address. Ask the customer if the pre-printed information is correct.
- Always use a check verification system. While this won't make you bulletproof, it is much better than not using one. Verify the check before the customer leaves the store.
- Be aware of which banks are no longer in business in your area. Oftentimes people obtain checks drawn on banks that have been gone for many years, and of course the account has been closed for at least that long. Banks that merge will usually continue to honor the old checks for a limited time. If the checks look very old they probably are. If the phone number on the check uses the old letter prefix in the phone number (such as PE5-1234) these checks are over thirty years old and these are checks somebody found or stole.

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- Look for signs the check has been tampered with. Are there spills on it? Many times the criminal will go dumpster diving and find old checks. They use a chemical solution that will erase the handwriting on the check and any bank stamps, but leaves the pre-printed information intact. If they are doing this the check will have four strings of numbers on the bottom instead of just three. At the point of sale there should only be three: The bank routing number, the account number and the check number. If there is a fourth number, (the dollar amount of the original check after the bank encoded it) then this check has been altered.
- If the check is in question, step aside and call the bank to verify funds. Just because funds are available now doesn't always mean the funds will be available when you deposit the check, but you will be told if the check won't clear. Know however, that the fraud artist will usually come in when banks are closed.
- Call the phone number on the check and ask to talk to the person who is passing the check. If they are stolen checks you will quickly know. If the phone is disconnected don't take the check.
- If you should decide to take the check but are unsure if you did the right thing, have a trusted employee carry out the items for the customer if possible. Have them write down (but not on the check) a description of the car and the license plate. Date it and indicate the time as well, noting the check you accepted. Keep a simple log of such things in case it does turn out to be a fraud.
- Have a video camera (or at least a fake camera with a red light on it) aimed at the checkout counter. It should be in plain sight. Bad check writers, forgers and counterfeiters do not want to be caught on video. Your everyday honest customers will not be offended.

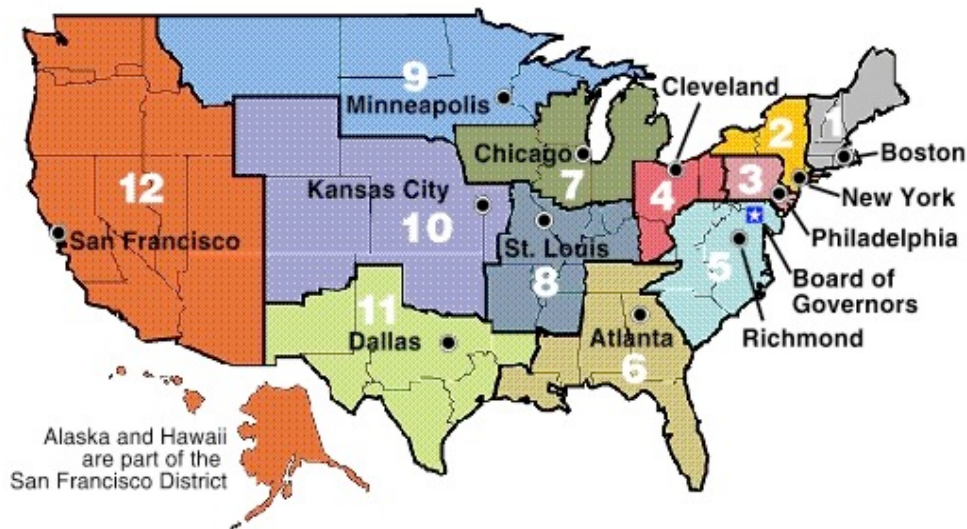
More Detailed

Here are some signs to look for on counterfeit checks. The absence of one of these signs (except perforated edges) doesn't in itself indicate a definite fraud, but should raise a flag and let you look for other signs:

- Look for a perforated edge. With the exception of government checks, every check has at least one perforated edge. Business checks may even be perforated on all four sides. This includes laser printed, dot matrix, payroll, etc. The check is often micro-perforated and not noticeable unless you look closely. No perforation indicates a **STRONG** possibility of forgery. Also be aware of bogus perforations. Many times a counterfeiter will use ordinary paper and cut the checks to size with a paper cutter. Realizing the cashier may look for a perforation, they may attempt to make their own. We have seen perforations made with the tearing strip off a box of aluminum foil, even very bad ones made with pinking shears. Yet the cashier took them. Real perforations are subtle, yet detectable. Personal checks will have a perforation on the **TOP EDGE ONLY 99%** of the time. If there are perforations on the left side or bottom there is a strong chance this is a counterfeit.
- Real checks use microprinting on the signature line. It may appear as a straight line to the eye, but is actually printing too small for even the best copiers to copy. Some stores have a powerful magnifying glass for closer inspections.
- Is the printing on the check shiny or dull? Shiny ink indicates the check was printed with toner used by a copier or laser printer. Real checks have dull printing. The special dull magnetic ink is required for the automated check sorting equipment banks use.
- Are the micr numbers and the other printing on the check sharp or sloppy? Real checks will always be very sharp. Many times counterfeiters use ink jet printers and the numbers may bleed into the paper.

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- Look for the name of the check printing company on the left border of the check. Well known printers such as Deluxe, Harland, Clarke American and others will list their name parallel with the left edge design. Most counterfeiters never include this.
- Most real checks have a watermark on the back printed in white ink that will appear if the check is held at an angle. It usually says "ORIGINAL DOCUMENT" and won't reproduce on a copier.
- Real check paper will have printing on the back in gray ink. It will have the endorsement lines as well as the notation "DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE - RESERVED FOR FINANCIAL INSTITUTION USE." There is usually a box describing the security features on the check as well. Counterfeit checks made with stationary paper won't have these, and the counterfeiter seldom prints them on the back of the check.
- Be aware of what Federal Reserve District you are in. There are twelve different districts as shown below:



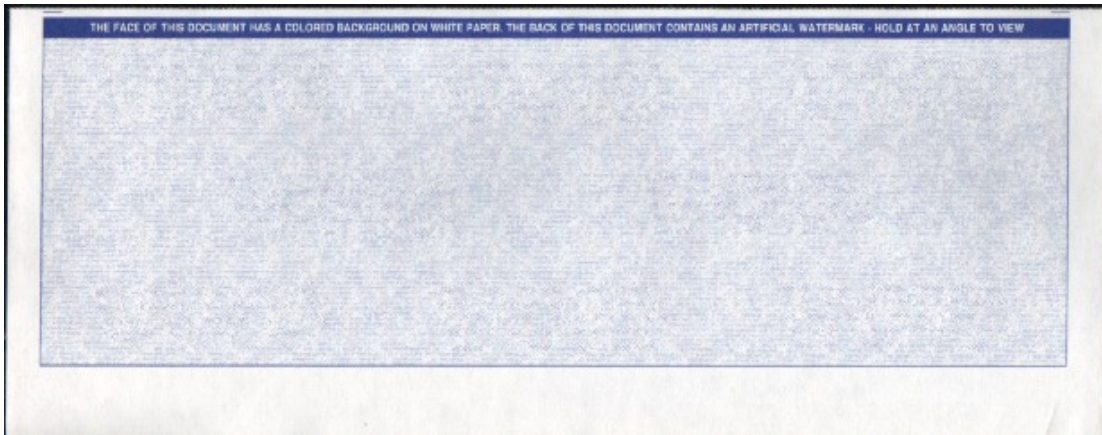
- 01 Massachusetts, Maine, New Hampshire, Connecticut, Vermont, Rhode Island
- 02 New York, New Jersey, Connecticut
- 03 Pennsylvania, Delaware, New Jersey
- 04 Ohio, Pennsylvania, Kentucky, West Virginia
- 05 Virginia, Maryland, North Carolina, Washington, D.C., South Carolina, West Virginia
- 06 Georgia, Alabama, Florida, Tennessee, Louisiana, Mississippi
- 07 Illinois, Michigan, Indiana, Iowa, Wisconsin
- 08 Missouri, Arkansas, Kentucky, Tennessee, Indiana, Illinois, Mississippi
- 09 Minnesota, Montana, North Dakota, South Dakota, Wisconsin, Michigan
- 10 Missouri, Colorado, Oklahoma, Nebraska, Iowa, Wyoming, Kansas, New Mexico
- 11 Texas, Arizona, New Mexico, Louisiana
- 12 California, Oregon, Washington, Utah, Hawaii, Alaska, Idaho, Nevada, Arizona

The nine digit bank routing number is the routing code for the bank the check is drawn on. The first two numbers indicate which of the twelve Federal Reserve Districts the bank is located in. You will also see a variation of this known as a "Plus 20" number where the first two digits are increased by 20. An example for Texas would be the routing number would either begin with 11 or 31. The first four numbers of the routing number should also agree with the routing fraction printed in the upper right hand corner of the check.

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Counterfeiters will often change the routing numbers on their counterfeit check to buy more float time so the check is routed to a distant, incorrect Reserve Bank. An example would be if the counterfeiter in Florida made a bogus payroll check supposedly drawn on a bank in Florida. The Florida bank's name is printed on the check, but the routing code he uses may send the check to California instead of Florida. Most clerks don't realize what these numbers do, and how they can be changed. Your clerks or managers should be aware if they take a check drawn on a bank in your home state it should begin with the correct Federal Reserve District number.

Counterfeit checks are more frequent than ever before. Years ago such items as check safety paper were secure items, and not available over-the-counter. Times have changed and now this paper is readily available from most any office supply store. They will often sell you or even give away the software used to create your own checks. They say this saves you money over having your checks printed. This is also a do-it-yourself kit for counterfeiters. The check paper will appear similar to this:



The checks may be blue, green, tan, or pink and possibly other colors. This check paper is loaded with many security features such as watermarks, void pantographs, padlock icon, microprinting, perforated edges, two color ink, etc. The companies have taken many steps to insure you have good check paper. The problem is they can't restrict what is printed on them.

These type checks account for the biggest majority of counterfeit checks being passed today. The wording on the top may say something like:

THIS INSTRUMENT HAS A COLORED BACKGROUND, VOID PANTOGRAPH AND MICROPRINTING. THE REVERSE SIDE INCLUDES AN ARTIFICIAL WATERMARK.

THIS DOCUMENT HAS A COLORED BACKGROUND & MICROPRINTING. THE REVERSE SIDE OF THIS DOCUMENT HAS AN ARTIFICIAL WATERMARK.

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER. THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

Notice that these kits fill in the name of the bank, but never use a bank logo. The majority of genuine checks use a bank logo printed on the check. The use of this logo discourages counterfeiters. If the check does not have a bank logo, look for other signs of possible fraud.

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Be very careful should you choose to accept any checks made from this type check stock paper.

While these tips may help you prevent being the next victim of counterfeit or stolen checks, one of the best defenses is common sense. Trust your intuitions. If something doesn't seem right it probably isn't.