



Consumer Federation of America

FOR IMMEDIATE RELEASE
May 27, 2009

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CFA TASK FORCE AIMS TO “TEAR UP” FAKE CHECK SCAMS

Survey Shows Over a Million Consumers are Being Swindled

Washington DC – Today, the Consumer Federation of America is launching a national campaign to combat fake check scams. Millions of consumers are lured into accepting genuine-looking checks and money orders and wiring money to crooks in return. According to the results of a CFA survey, nearly one third of adults have been approached with fake check scams and at least 1.3 million have become actual victims. With an average loss of \$3,000 to \$4,000 per consumer, billions of dollars have been pocketed by fake check scammers. “In today’s economy, as consumers struggle to make ends meet, vulnerability is at an all-time high. Phony claims of sudden riches or ways to make money have never been more attractive,” said Susan Grant, CFA’s Director of Consumer Protection. CFA created a Fake Check Task Force to help raise awareness about these scams and protect consumers.

The telephone survey of 2,000 adults conducted for CFA by Opinion Research Corporation December 4-8, 2008 revealed that the most common fake check scams are those involving sweepstakes/lotteries (66 percent), grants (36 percent) and work-at-home opportunities (35 percent). In the sweepstakes and grant scenarios, the consumer receives a check or money order with instructions to wire a portion of the money to pay taxes or administrative fees. In the phony job offers, consumers are asked to process payments for a foreign business or make purchases as a mystery shopper and wire the remaining money to their employer minus their “pay.” Another popular variation of the scam is the “overpayment,” where the scammer offers to buy something the consumer has advertised for sale, sends a check or money order for more than the asking price, and tells the consumer to wire the extra to someone who will arrange for shipping.

“The check or money order is phony, and so is the person’s story,” explained Grant. “Unfortunately, the consumer usually doesn’t learn that until after sending the money.” Federal law requires financial institutions to give consumers access to the money from checks or money orders they deposit quickly, usually 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 the counterfeit to be discovered. When it is, the consumer is on the hook to repay the bank, credit union, or check cashing service.

Compounding the problem is 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. The number goes up to 70 percent among young adults age 18-24, and 71 percent of people with incomes under \$25,000 and who did not complete high school. More than 40 percent of those surveyed do 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 the check must pay the bank back.

Another factor is the fact that the scammers are hard to pursue. They often operate from Canada and other foreign countries, making it more difficult for U.S. law enforcement agencies to bring legal action against them, and they cover their tracks by picking up the money in cash and using phony identification.

Created in May 2008, CFA's Fake Check Task Force brings nonprofit consumer organizations, law enforcement and consumer protection agencies, financial service companies, and other businesses and trade associations together to fight these scams through greater education and awareness. The campaign has several elements, including new information in English and Spanish about grant and mystery shopping scams on the National Consumers League's www.fakechecks.org Web site and an ecard on the site that consumers can send to warn others about fake check scams. At www.consumerfed.org/fakecheckscams there are several new CFA resources for consumer education including a fact sheet and ready-to-use news articles in English and Spanish, and links to other materials.

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. They explain how these scams work, suggest strategies for preventing victimization, offer advice about how to help victims, and provide resources for investigations and public education. These materials are not intended for the general public. Contact Susan Grant at CFA, 202-387-6121.

Consumer Tips to "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-faqs05.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.

The Consumer Federation of America (CFA) is a non-profit association of over 280 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through research, advocacy and education.