

## CATCHING COUNTERFEIT CHECKS

by [Steve Brown](#)

Today's column comes under the heading basic skills every banker should know. Like being able to spot counterfeit currency or fake credit cards (past columns), the ability to spot counterfeit checks is a skill that's valuable for the teller to the CEO. Here is a quick summary on how to identify fake checks and how to exercise what regulators call "ordinary care and diligence.". Counterfeit checks fall in one of three general categories: fake checks, altered checks, or forged checks (collectively "CAF checks"). For the first type, a fake check is an entirely fraudulent check, but is based on genuine information, usually taken from a victim of identity theft. Altered checks are genuine checks with a true signature, but with a forged adjustment, typically the amount. Lastly, forged checks are produced by either stolen blank checks or "washed" checks with a false signature. Understanding the patterns that most forgers follow can help prevent checks from ever passing, or help discover CAF checks more rapidly. Fake check passers are the hardest to catch as they often use a counterfeit identification card in order to cash a check quickly. Here, the bank or merchant's main countermeasure is to understand how to spot a fake ID, be able to verify ID information and be on the lookout for behavioral clues such as nervousness and an imposed time pressure on the person which the check was presented. A signature comparison usually helps if possible. Measuring the length of the signature is the one of the most important comparison points as a person's signature varies over time and under different conditions, but the length is usually consistent. In addition, forged or "new" signatures often have uneven pressure where the criminal may pause, mid-signature. Spacing between letters may be slightly larger than normal, there may be ink blots from holding the pen on the paper a longer amount of time and the starting stroke of the next letter will be heavier. For behavioral clues, CAF check writers often pass a few small regular checks at a specific institution with a specific employee in order to build rapport. Then, the criminal will bring in a much larger check after the clerk feels comfortable with the individual because all other checks have passed without incident. However, it is important to note that even when an individual mirrors this behavior, it is possible that they are not the criminal, but rather the victim, as these presenters of CAF checks either unknowingly passed the check or an unwitting accomplice asked to cash the check. After a counterfeit check is caught, banks and authorities can pull surveillance footage and compare it to a known photo of the individual or compare a photocopy of the ID presented with the official government agency copy. One of the most common types of CAF checks is the forged "washed" check. Here, education can play an immense part in fraud control because if bank employees know how these checks are created and how to identify them, they can be stopped before they are ever cashed. Washed checks typically use checks that are stolen from the mail or other theft. The forger traces the original signature in pencil, before washing the pen ink off the checks in a chemical solution that is some combination of brake fluid, rubbing alcohol, acetone, and hydrogen peroxide. The graphite pencil trace of the signature remains on the check through the chemical wash, and after the check is dried, the signature is retraced in pen and the rest of the now blank check is completed. The physical features that most easily identify washed check are residual chemical odors, residual or smudged ink stains, unusual texture from chemical absorption into the check during the drying process and eraser marks around the signature from erasing the graphite trace. One recommendation you can give your clients is to write checks with gel pens, which are harder to wash out because of the composition of the ink. Catching good counterfeit checks is difficult and this is just meant to provide a high level overview

that will hopefully serve to provide a first line of defense so that a bank employee will know enough to alert a supervisor. Basic annual training, providing tools (such as ID comparisons and magnifying glasses to look at amounts and signatures) can help both your staff and your business customers stop crime as it is happening.

# BANK NEWS

## 2Q Earnings

Bank of America reported a profit of \$2.46B vs. a loss of \$8.83B a year earlier. BofA saw revenue increase 66%, as it reduced assets by \$50B, set aside less for bad loans and continued work to cut staffing levels by 30k. Loan totals fell 5.2% in 2Q vs. a year earlier (compares to J.P. Morgan's 5% growth, Citi's 1% growth and Wells' 3.5% growth during the same period). U.S. Bancorp reported 2Q profit climbed 18% vs. a year earlier, as revenue climbed and the bank set aside less for bad loans (\$470mm vs. \$572mm a year ago). Total loans surged 7.7%, while NIM declined to 3.58% from 3.67% a year earlier. PNC reported 2Q profit fell 40% vs. a year earlier, as the bank saw increased mortgage put-backs for loans it sold in 2006 to 2008 and it increased provisions. Total loans soared 20%, primarily driven by its acquisition of RBC's U.S. operations and commercial lending.

## More Easing

Goldman is predicting the Fed could make a modest easing step at the Aug. or Sep. meeting and will be forced to do something much larger after the election, unless the economy gets even worse and they have to act sooner.

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