

EXP



September 27, 2023

Taken to the Cleaners?

Check Washing

Check Fraud

Check 21



SAFE *Checks*®
The Check Fraud Prevention Specialists

Greg Litster, President
(800) 755-2265
Greg@SAFEChecks.com

Check Fraud

Why talk about Check Fraud?

Check Fraud is

The Elephant in the room



The FIRST Check Fraud Lawsuit filed in 1762

Price sued Neal for check fraud ~ Price v. Neal, England



**Check fraud has continued unabated
for 260 years!**

1762



2023

Early days of Check Fraud

Mainly counterfeit checks

- ✓ Fraudster makes an earnest money deposit on a house
- ✓ Cancels contract ("changed my mind")
- ✓ Receives check from Title Company for refund
- ✓ Creates counterfeit Title Company with data from refund !



No Positive Pay No daily downloads from bank in the 1980s!



Positive
Check Pay
Authorization

An illustration of a hand holding a black marker, writing a green checkmark on the word 'Positive' in the text 'Positive Check Pay Authorization'. Below the text, there are several check forms. The top check form is partially visible, showing the amount '100.00' and the date '10/10/10'. The bottom check form is more prominent, showing the amount '100.00' and the date '10/10/10'. The background is a light green gradient.

- ✓ Banks, Savings & Loans were being shut down weekly!
- ✓ Cashier's Checks good for \$100,000 with FDIC Insurance
- ✓ Verified if the BANK was open & Cashier's Check valid



Fast forward – Today

- ✓ Companies pay by ACH, Wire transfers
- ✓ Counterfeit Cashier's Checks
- ✓ Today's issues weren't dreamed of in the 1980s:
Depositing checks via cell phones!



Checks are #1 in Payment Fraud

AFP Payments Fraud and Control Survey 2021

Checks and Wires Continue to be Most Susceptible to Payments Fraud

In 2020, checks and wire transfers continued to be the payment methods most impacted by fraud activity (66 percent and 39 percent, respectively). The percentage of financial professionals reporting fraud activity via these two payment methods, however, has decreased in the past year, from 74 percent and 40 percent, respectively, in 2019. The 8-percentage-point decrease in check fraud activity is fairly substantial and its incidence is the lowest since 2008 when it was 94 percent. Contributing to the decline in check fraud is the fact that organizations are using fewer checks in their B2B transactions as well as increasing the use of electronic payments as a consequence of staff working remotely. According to the 2019 AFP® *Electronic Payments Report*, 42 percent of organizations reported using checks for B2B payments in 2019, while in 2004 over 80 percent of companies were using checks for similar transactions.

AFP Payments Fraud and Control Survey 2022

Checks and ACH Debits Most Susceptible to Payments Fraud While Wire Fraud Decreases

In 2021, checks and ACH debits were the payment methods most impacted by payments fraud activity (66 percent and 37 percent, respectively). Sixty-six percent of financial professionals report that check fraud activity was unchanged from 2020. Payments fraud via checks had been on the decline since 2010, with some intermittent upticks in between.

The share of respondents reporting payments fraud via ACH debits increased from 34 percent in 2020 to 37 percent in 2021. The share of fraud activity via ACH debits has been increasing gradually—from 33 percent in 2019 to 34 percent in 2020 and to 37 percent in 2021.



Check Washing

Checks Stolen out of the Mail



Don't mail checks or birthday cards
from home

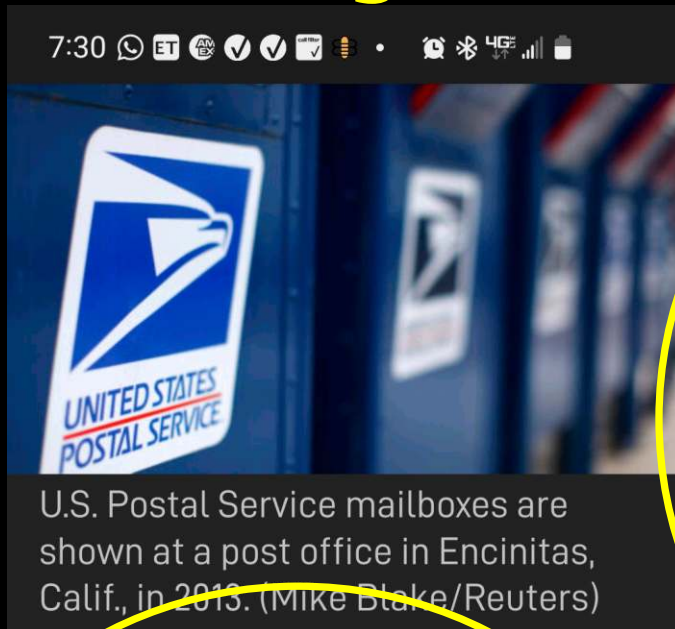
Stealing the entire Mailbox



Stealing the entire Mailbox



Stealing Checks – “Arrow Key”



U.S. Postal Service mailboxes are shown at a post office in Encinitas, Calif., in 2013. (Mike Blake/Reuters)

December 9, 2022 | [Beth Brelje](#)

Philadelphia Man Charged With Postal Crimes Was Also Found With Stolen Mail-In Ballots

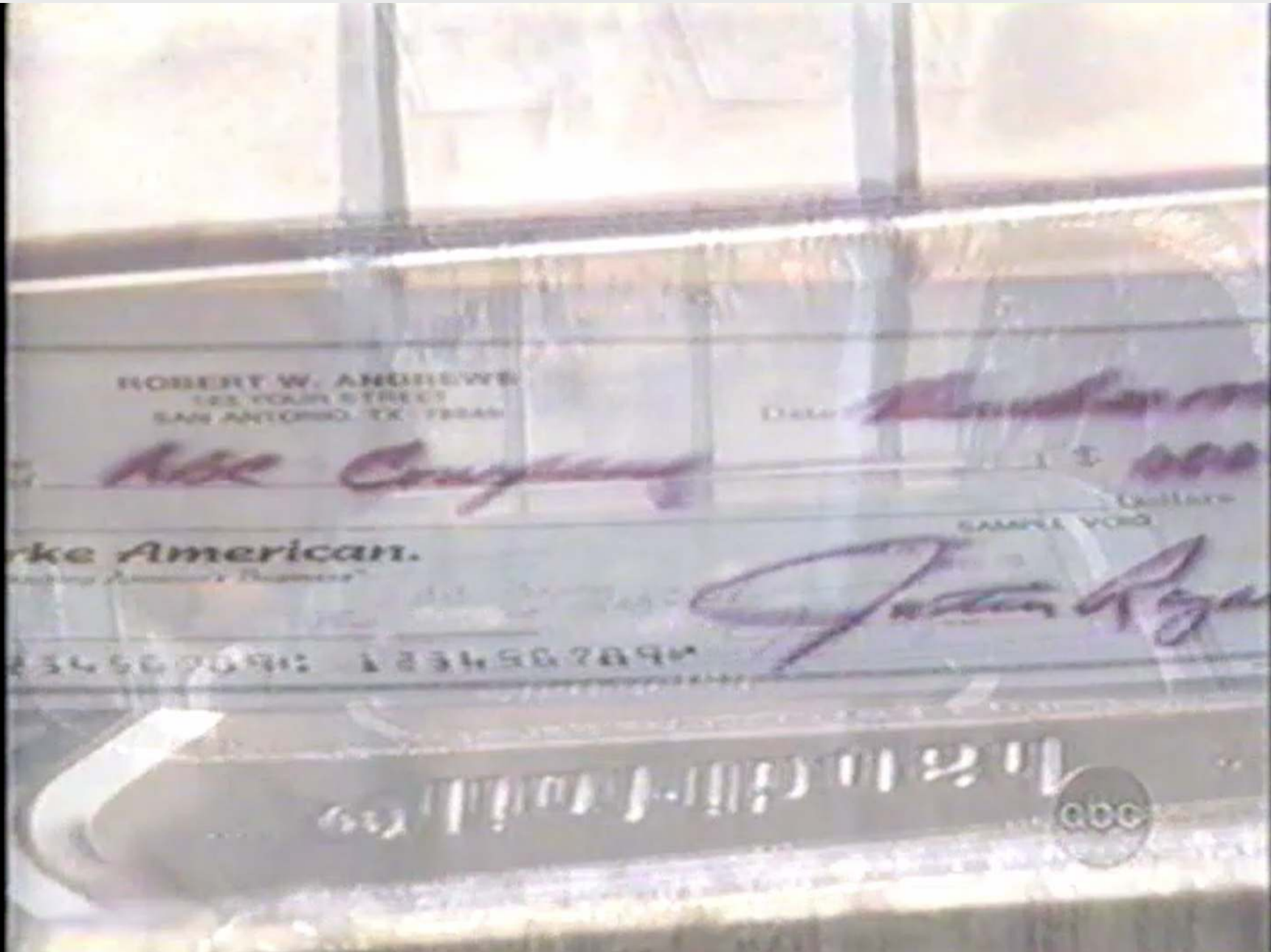
The arrow key is a universal master key that opens USPS mail boxes and the master door panel for clusters of mail boxes such as those found in apartments.

A July 2022 indictment alleges that while pretending to be a USPS mail carrier, James stole undelivered mail from a collection box near the

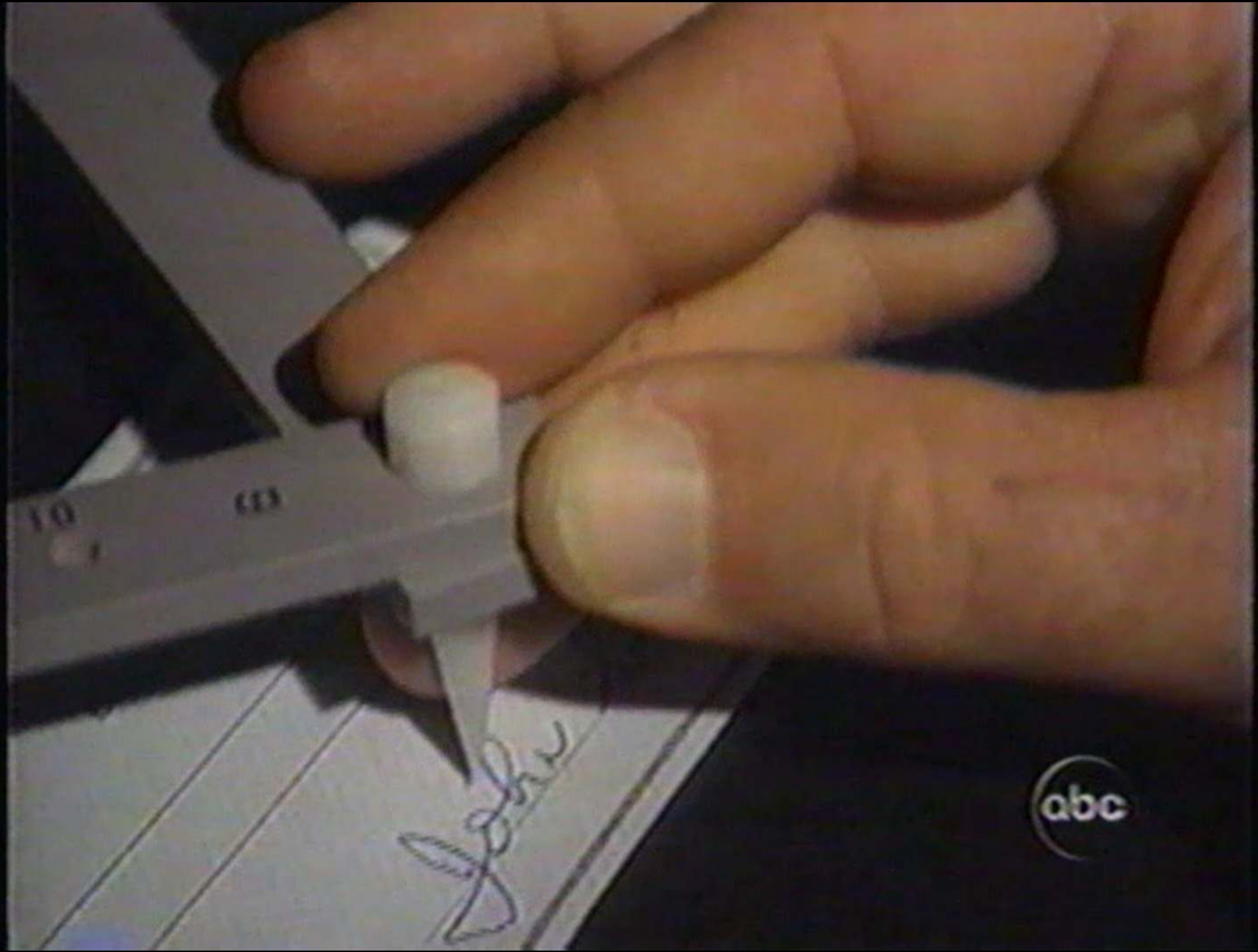
Check Washing



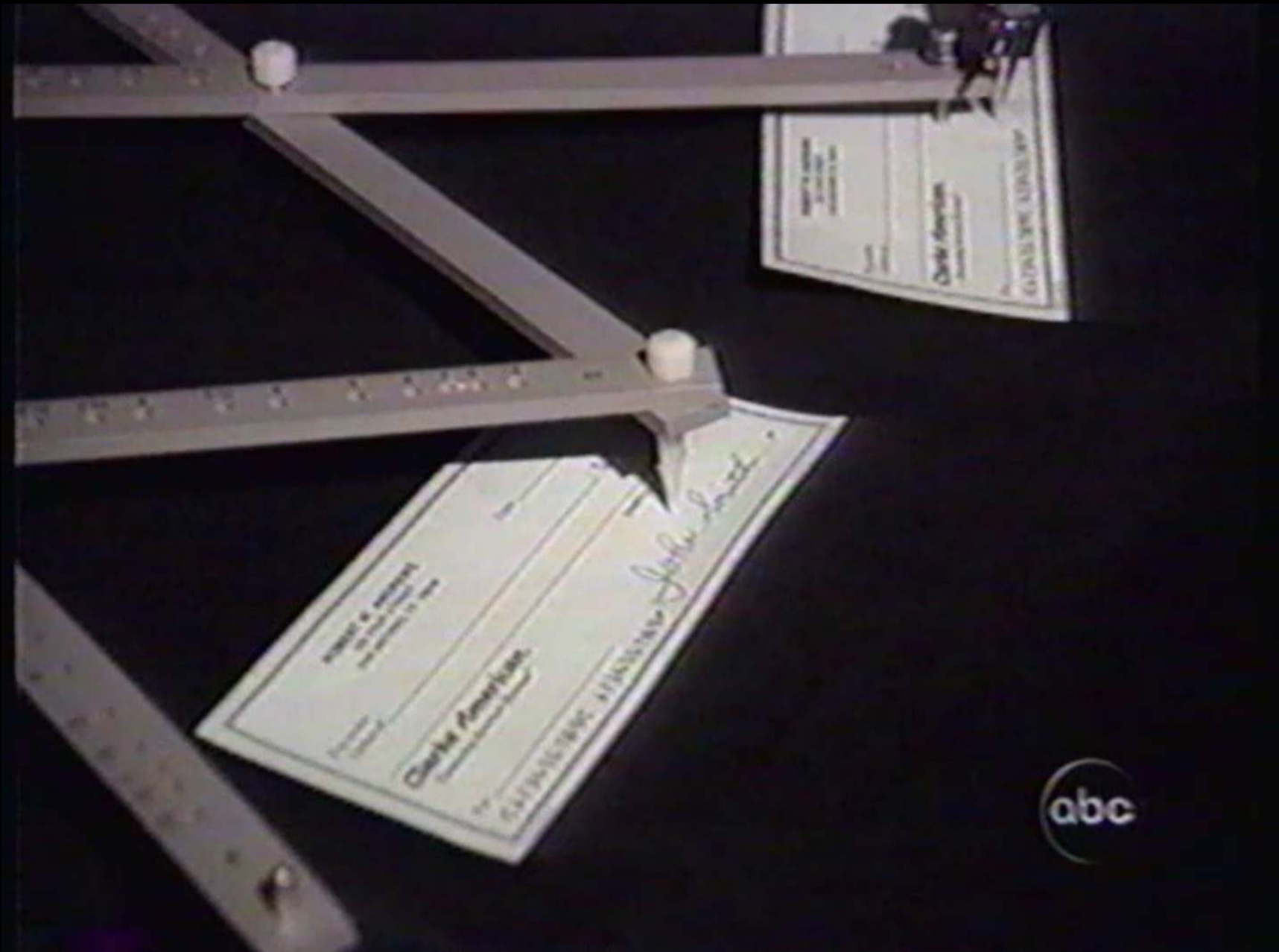
Check Washing



Check Washing



Check Washing



*Prime*TIME
LIVE

Video: Robin@SAFEChecks.com



Diane Sawyer

1998



Chris Wallace

Challenges to Prevent Check Washing

Challenges to Prevent Check Washing

1. Paper staining feature is not permanent
2. Almost all pen inks dissolve in acetone
3. No disincentive for fraudsters to try

advanced security features that make this check difficult to alter and provide payees several ways to authenticate the check. With security enhancements such as a foil hologram, a watermark, invisible fluorescent fibers, and heat-reactive ink, it's one of the most secure checks in the marketplace.


High-security MaxProtect™ checks come in multi-purpose, accounts payable, and payroll formats, and you can choose from five color options: blue, maroon, green, purple, and tan.


- 2 Thermochromatic Heat-Sensitive Ink—changes color when warmed by touch or cooled, immediately proving the document.
- 3 Toner Adhesion—toner is bonded to the paper without visible damage to the document.
- 4 Prismatic Multicolored Ink—multiple colors of color make it difficult to replicate.
- 5 Chemically Reactive Ink—creates stains, spots, or blurs that are used to alter or wash out the document.

SECURITY FEATURES INCLUDE TRUE WATERMARK PAPER, HEAT SENSITIVE ICON AND FOIL HOLOGRAM

Chemical Soaking will dissolve the Stain

Ordering is quick and easy

 **CALL**
800-617-3224 (M-F 8am - 8pm ET)
to speak to a Sage checks specialist

 **VISIT**
checks.sage.com
to place your order online

Save 20%*
on your first order for MaxProtect™ checks.
Use promo code **20MPDM**

COPY FOR YOUR INFORMATION

*Limited Time Offer – Valid at Sage Checks and Forms. Receive 20% off your first order of high-security checks with any Sage Checks and Forms products. Discount does not apply to processing, taxes, shipping, or Labor Law Poster Subscription. Other promotion, sales or discounts. Prices, specifications, and availability are subject to change without notice. Sage

Chemical Soaking Dissolves the Stain

Choose high-security MaxProtect™ checks

Your business deserves the best

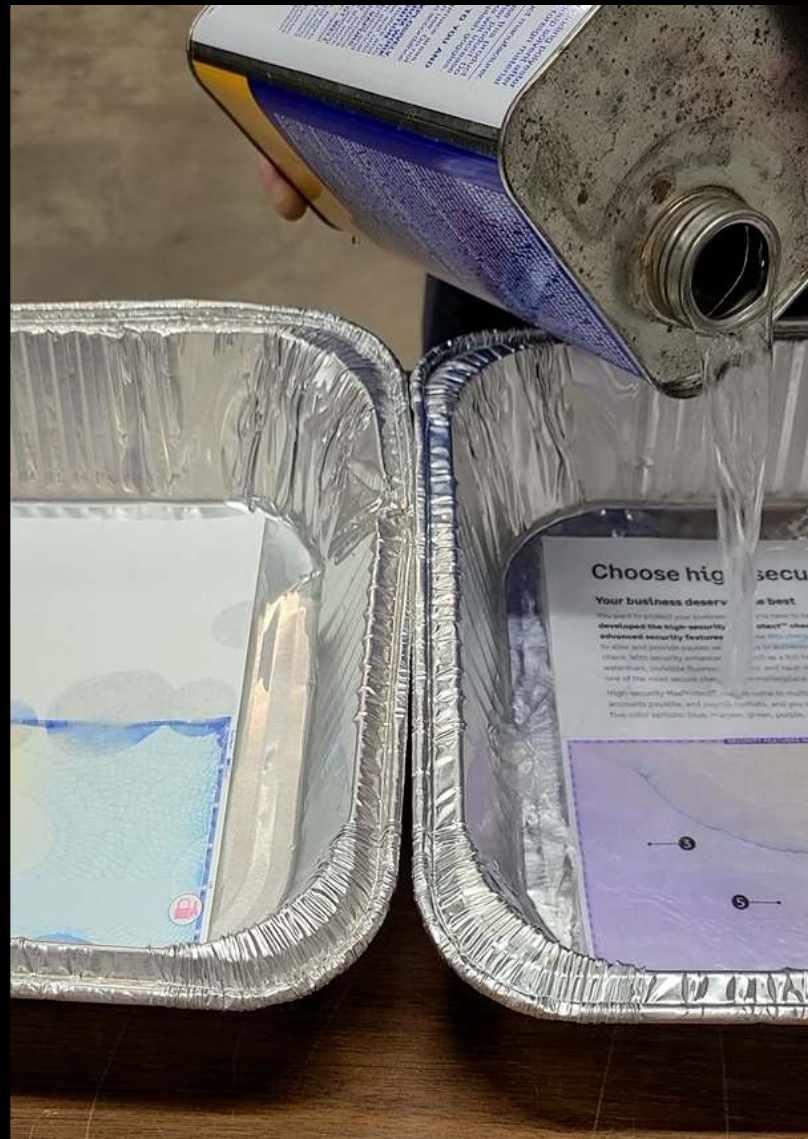
You want to protect your business, and we're here to help. We've developed the high-security MaxProtect™ check with 30 advanced security features that make this check difficult to alter and provide payees several ways to authenticate the check. With security enhancements such as a foil hologram, a watermark, invisible fluorescent fibers, and heat-reactive ink, it's one of the most secure checks in the marketplace.

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Check out a few of the advanced security features

- 1 Foil Hologram—additional protection against duplication of the document.
- 2 Thermochromatic Heat-Sensitive Icon—ink disappears when warmed by touch or breath and reappears upon cooling, immediately providing authentication.
- 3 Toner Adhesion—toner is nearly impossible to remove without visible damage to the paper.
- 4 Prismatic Multicolored Background—subtle gradations of color make it difficult to copy or reproduce.
- 5 Chemically Reactive Paper—uniquely treated paper creates stains, spots, or discoloration if chemicals are used to alter or wash checks.





Watch the Video:

<https://www.youtube.com/watch?v=vTEg0ytCucI>

Choose high-security MaxProtect™ checks

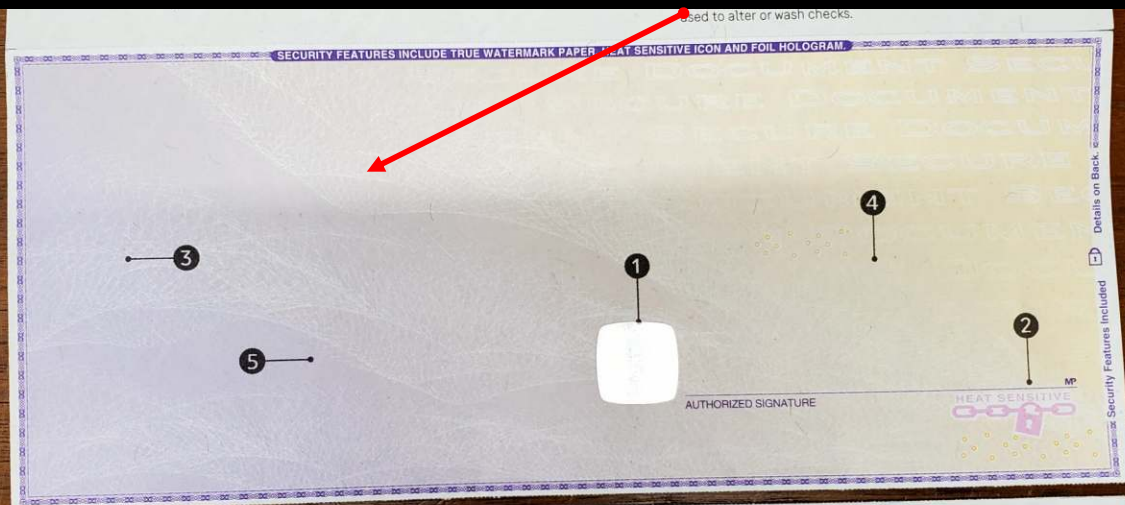
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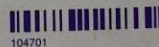
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Your security is our priority

In addition to the advanced features in this MaxProtect check, all Sage business check orders automatically include FraudArmor™ fraud monitoring and restoration services. Call or go online to learn more and order MaxProtect™ checks with FraudArmor™ today.

COPY FOR YOUR INFORMATION

Sage



104701

50AQ10 / 8114158

10470

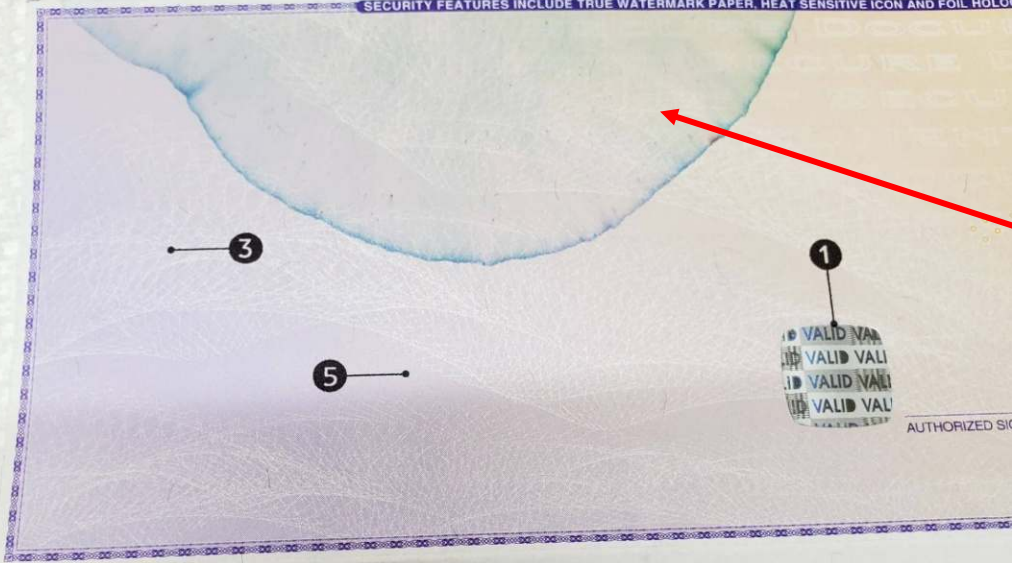
Rev 3/19

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- 3 Toner Adhesion—toner is nearly impossible to remove without visible damage to the document.
- 4 Prismatic Multicolored Foil Hologram—multiple colors of color make it difficult to duplicate.
- 5 Chemically Reactive Paper—ink creates stains, spots, or discoloration when used to alter or wash checks.

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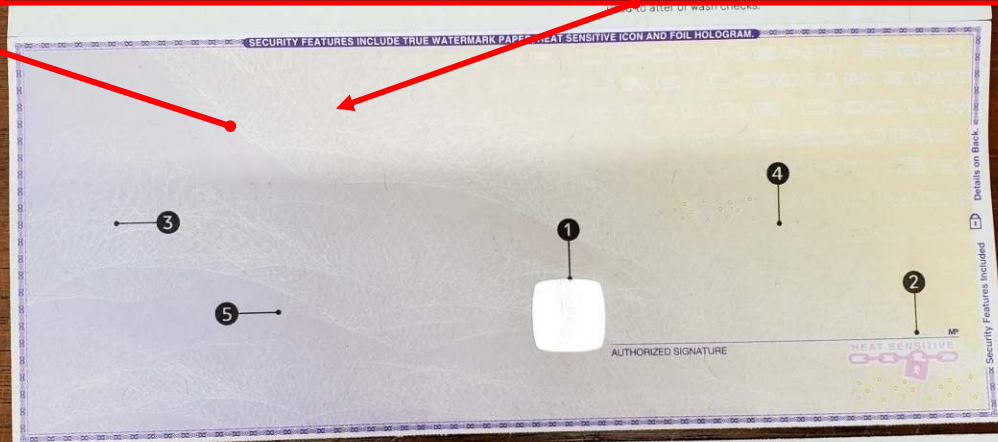
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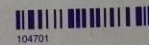
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Use promo code **20MPDM**

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Sage

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50AG10 / 8114158
10470

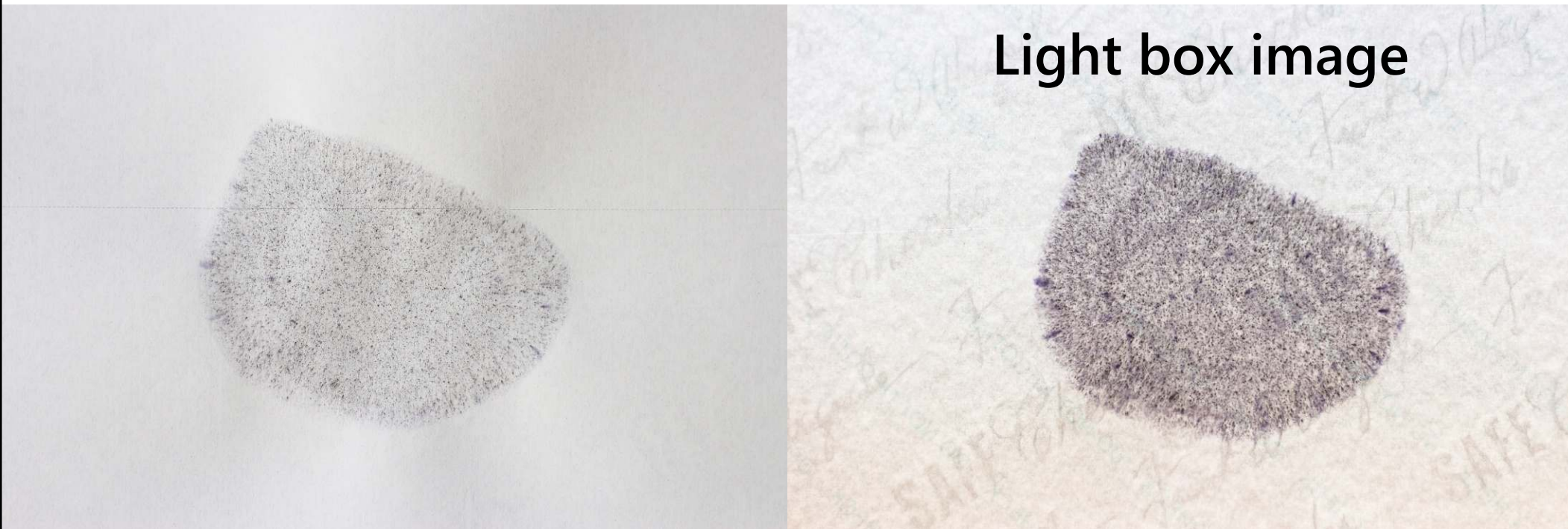
Solutions to Prevent Check Washing

Uniball 207 does not dissolve in chemicals



Signature **PAPER**

Permanent Chemical Stain in Signature Paper



Light box image

True Watermark

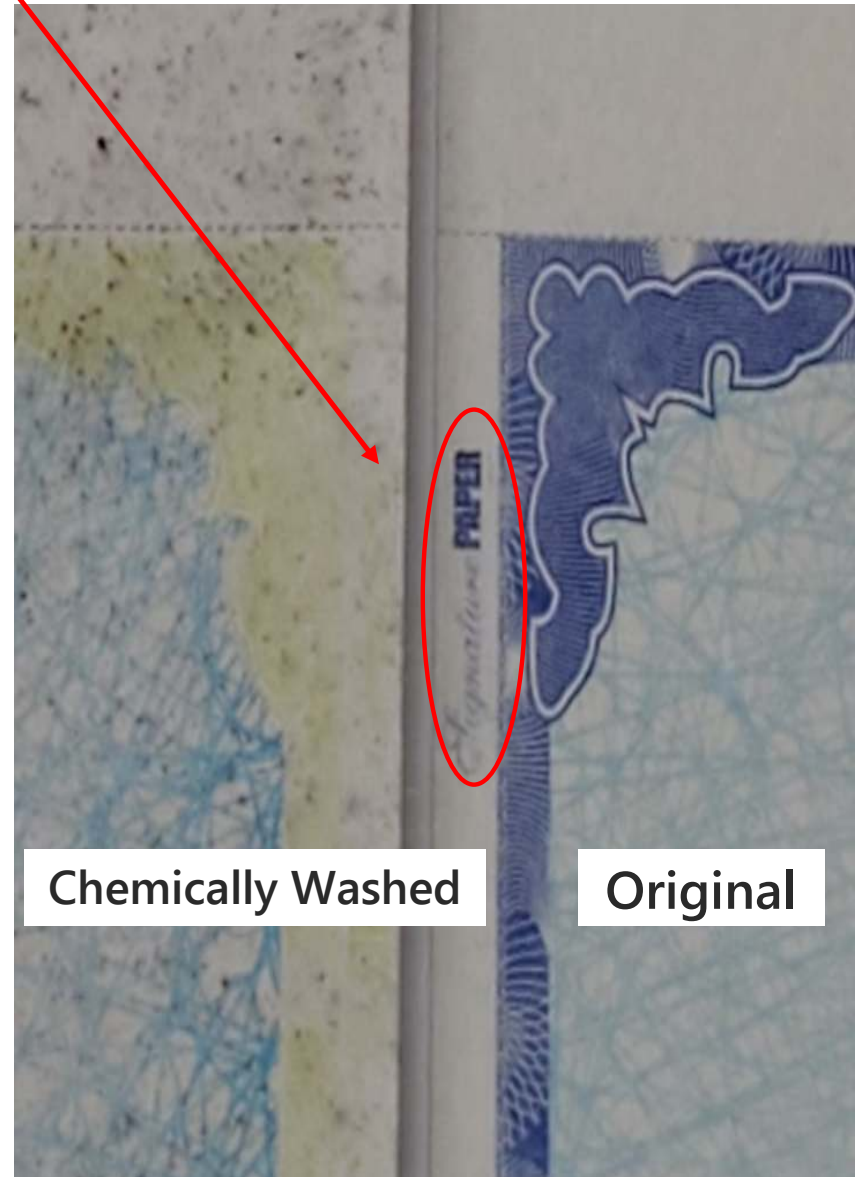
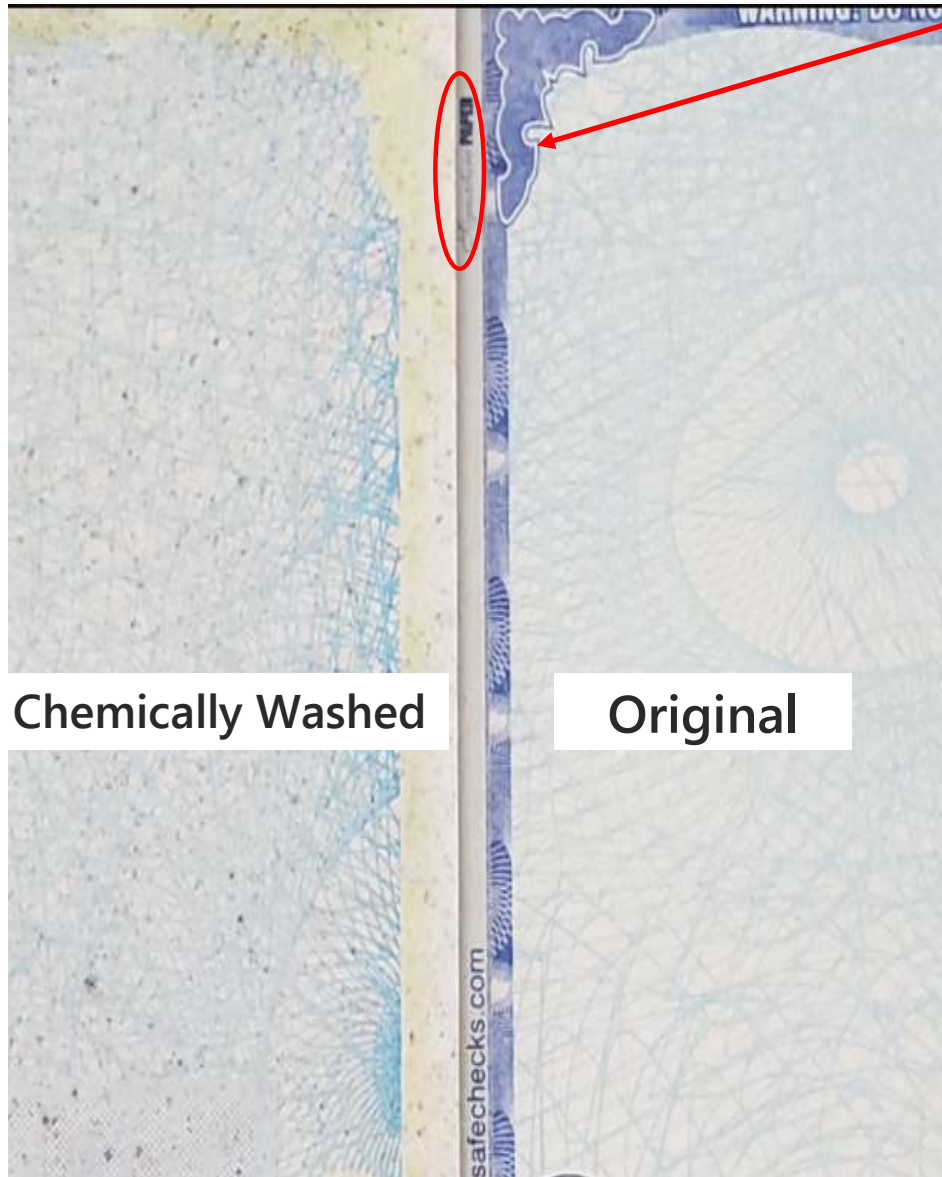
Signature Paper is the ONLY paper in North America that stains permanently

Soaking both checks in Acetone

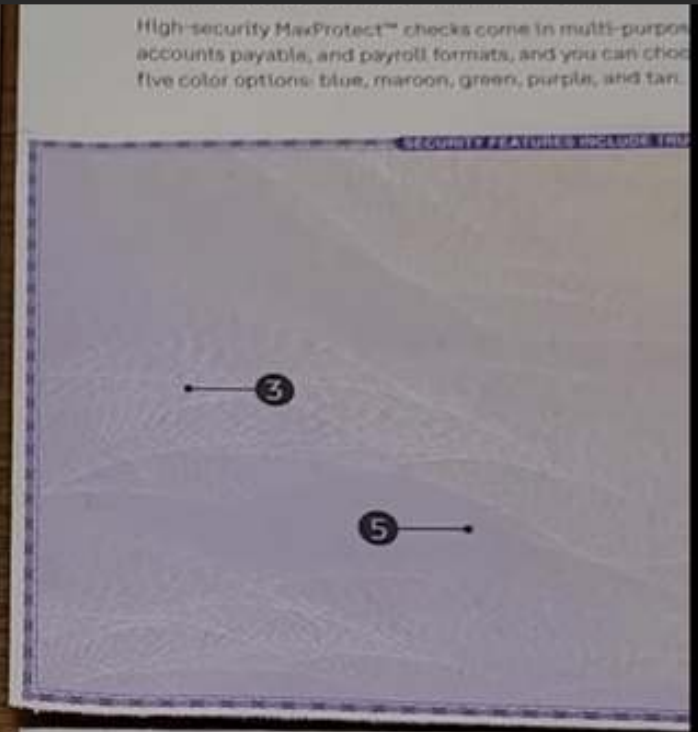


Signature **PAPER**

The Supercheck, printed on Signature Paper, chemically washed.



Signature Paper is the ONLY paper in North America that stains permanently



Ordering is quick and easy

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800-617-3224 (M-F 8am - 8pm ET)
to speak to a Sage checks specialist

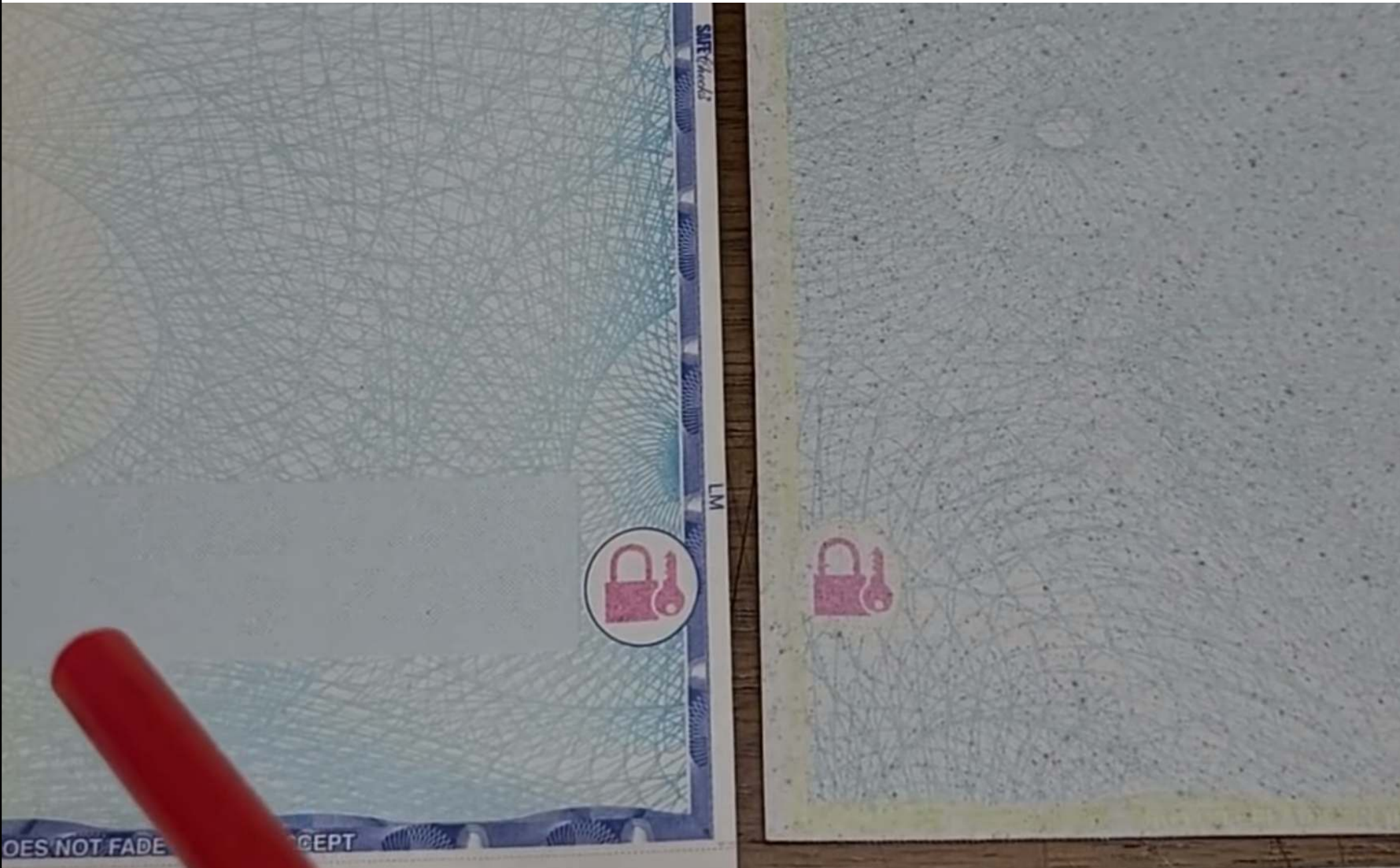
 **VISIT**
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on your first order for MaxPro
Use promo code **20M**

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YouTube Search bar: "Signature Paper Frank Abagnale"

<https://www.youtube.com/watch?v=vTEg0ytCucI>



Check Fraud

Check Fraud Prevention

starts with

High Security Checks

**Which check security features
matter most?**

1. Using a Controlled check stock

1. Controlled Paper

2. Controlled Check Stock

3. Security features that do not survive

Check 21's image conversion process

→ Trigger the Indemnity Provision

→ e.g. True watermark, UV fibers, UV ink

Controlled Check Stock

1. Checks are not sold blank unless the check face is customized for that company (so every order is unique)
2. Account holder, account number & ship-to address has been authenticated

Uncontrolled Check Stock

1. Checks are sold entirely blank to anyone
2. Sold without the buyer, account number
and ship-to address authenticated.

The buyers can be fraudsters!

Creating Counterfeit Checks

Fraudsters buy uncontrolled check stock & create counterfeit checks

Fraudsters use:

1. Adobe Illustrator
2. Scanner
3. ORIGINAL blank check stock (uncontrolled) to create authentic-looking counterfeit checks, including Cashiers Checks & Official Checks.



Frank Abagnale

Catch Me If You Can

Technology is making Frank Abagnale's
"gift" achievable by mere mortals



Released Christmas Day 2002

Frank Abagnale - 15M views <https://www.youtube.com/watch?v=vsMydMDi3rl>

Catch Me If You Can

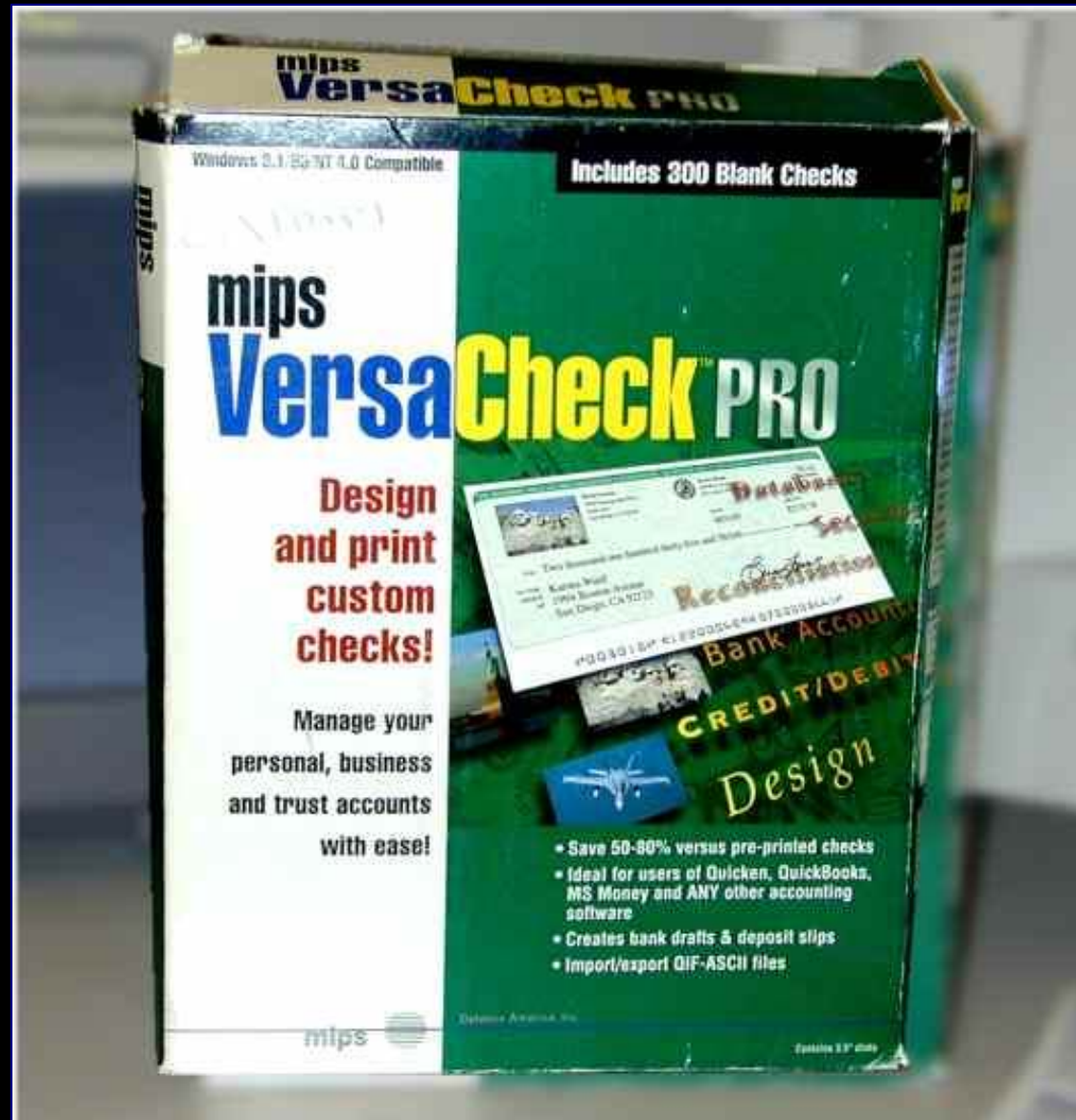


Put your shirt on, Frank.
You're under arrest.

<https://www.youtube.com/watch?v=UzWkm>

AXNVgc

Today



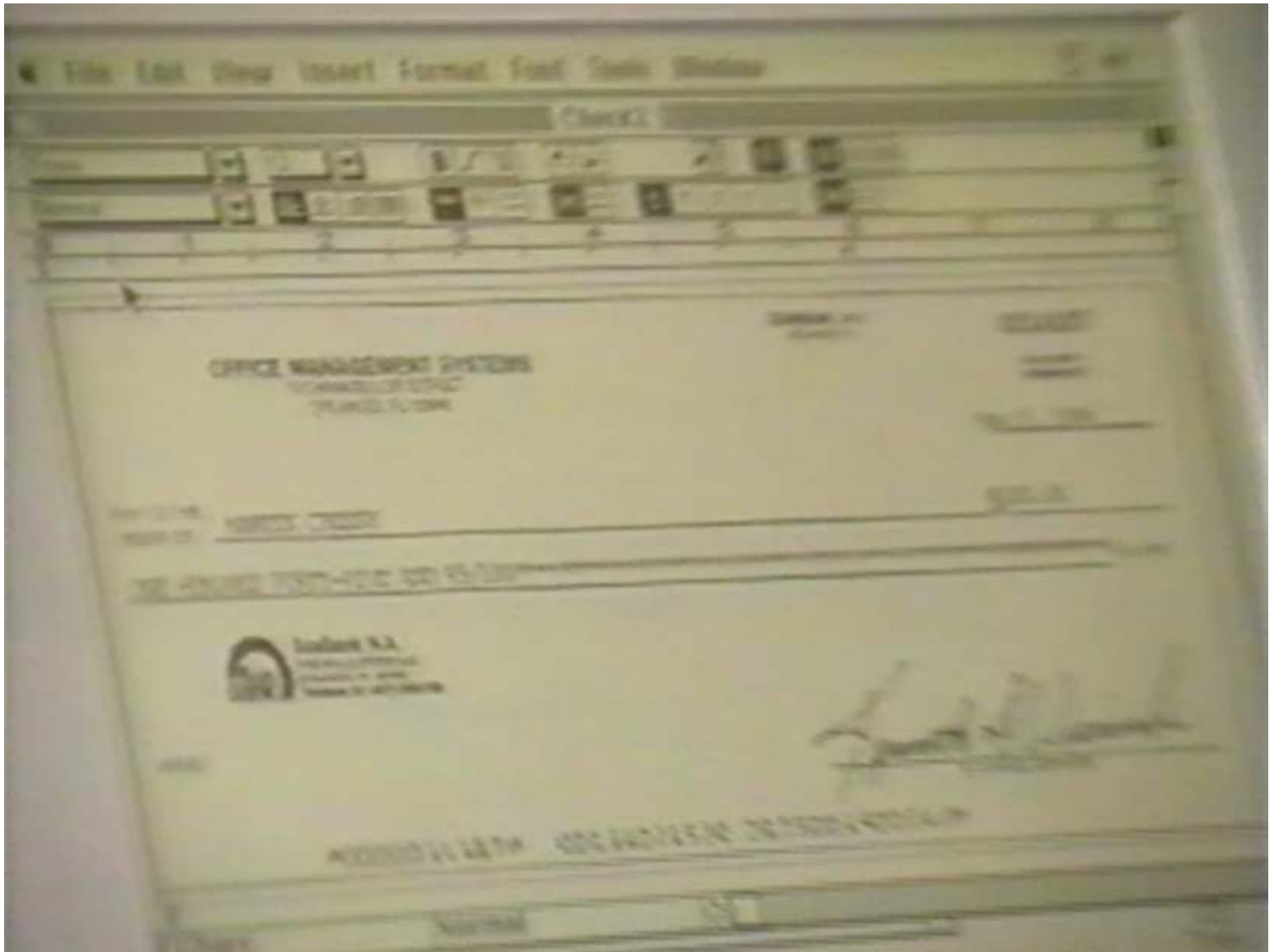
\$19.95

BOSTON'S #1 SELLER

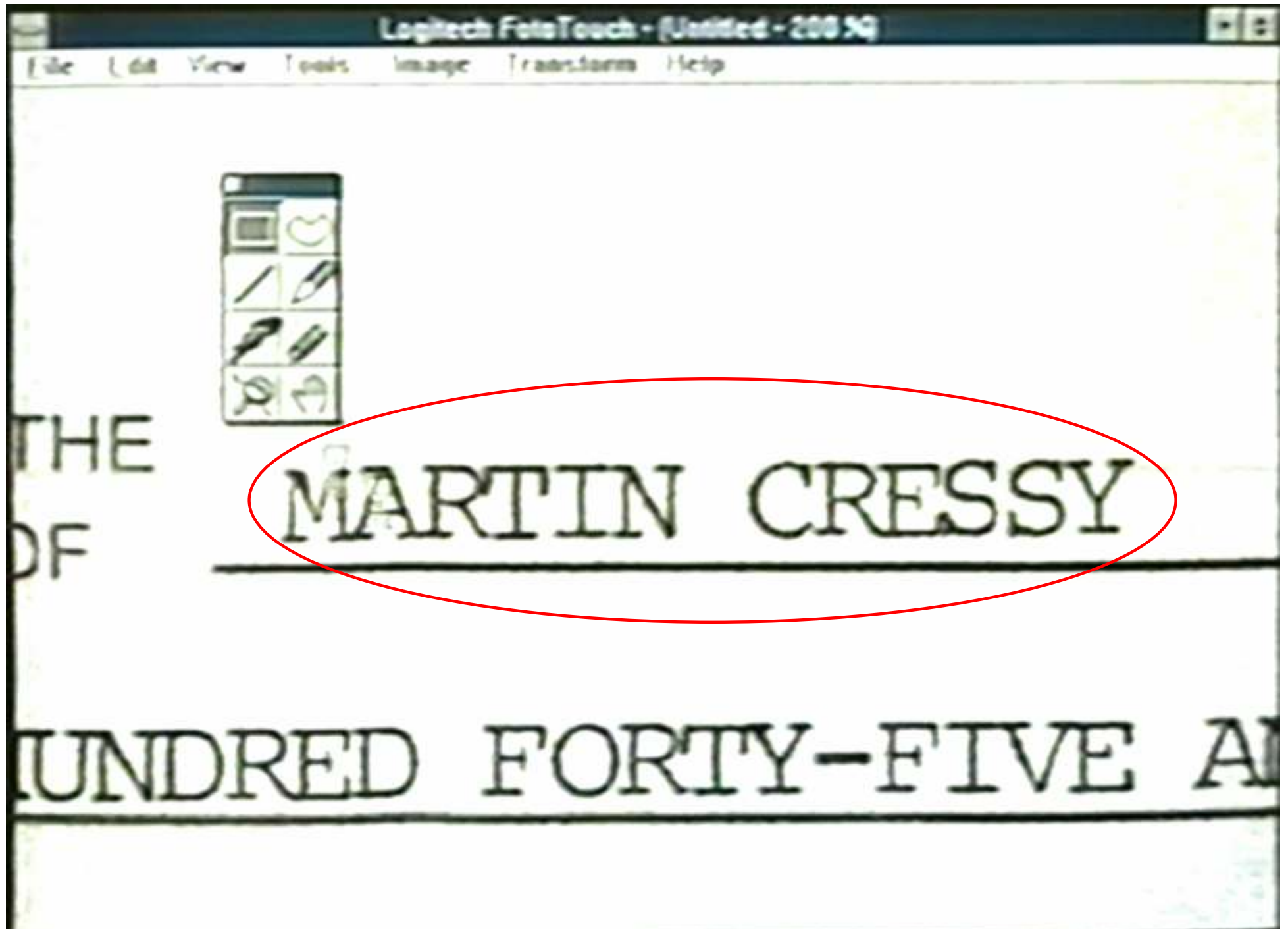
Creating Counterfeit Checks



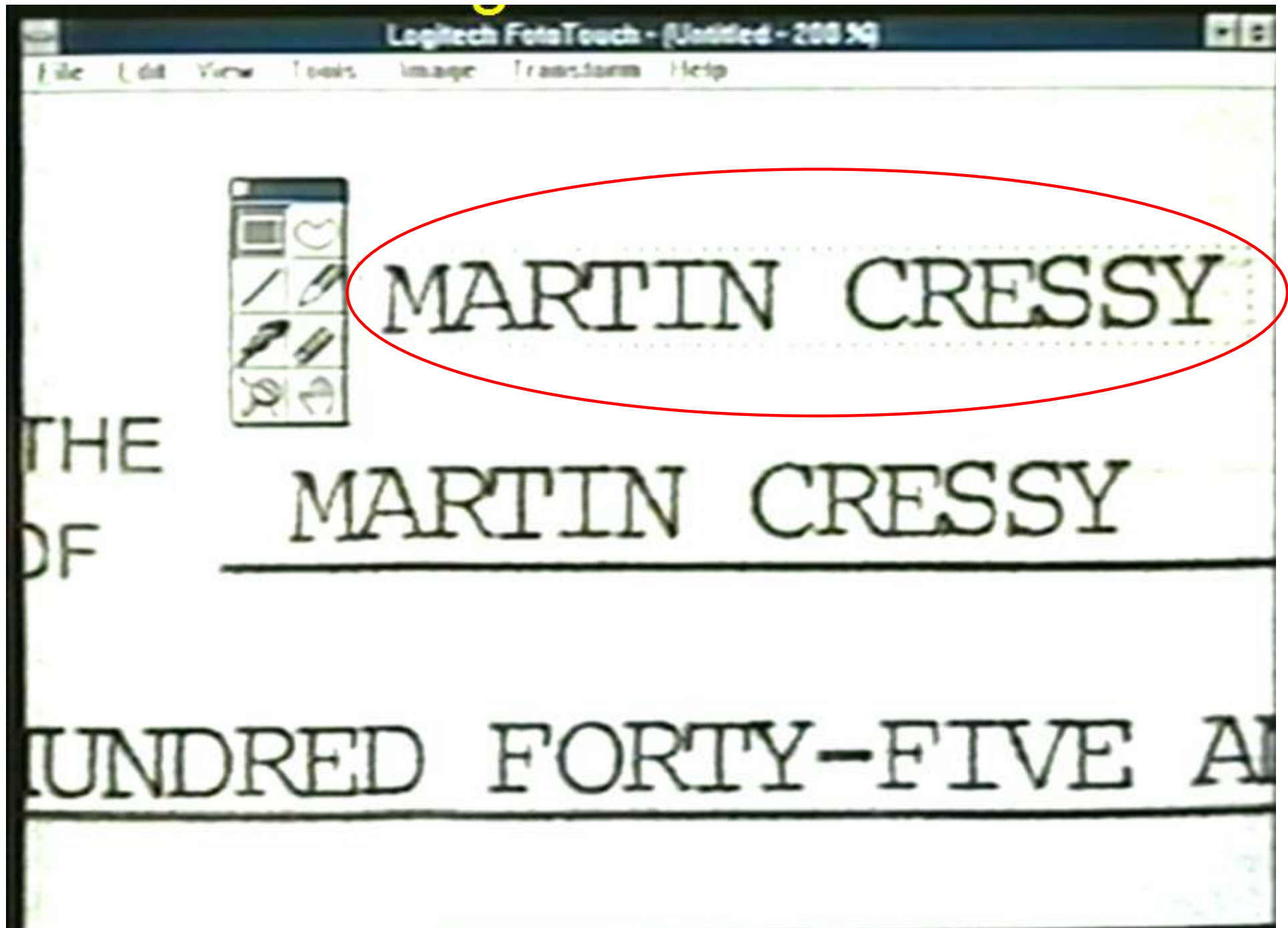
Original Check is scanned



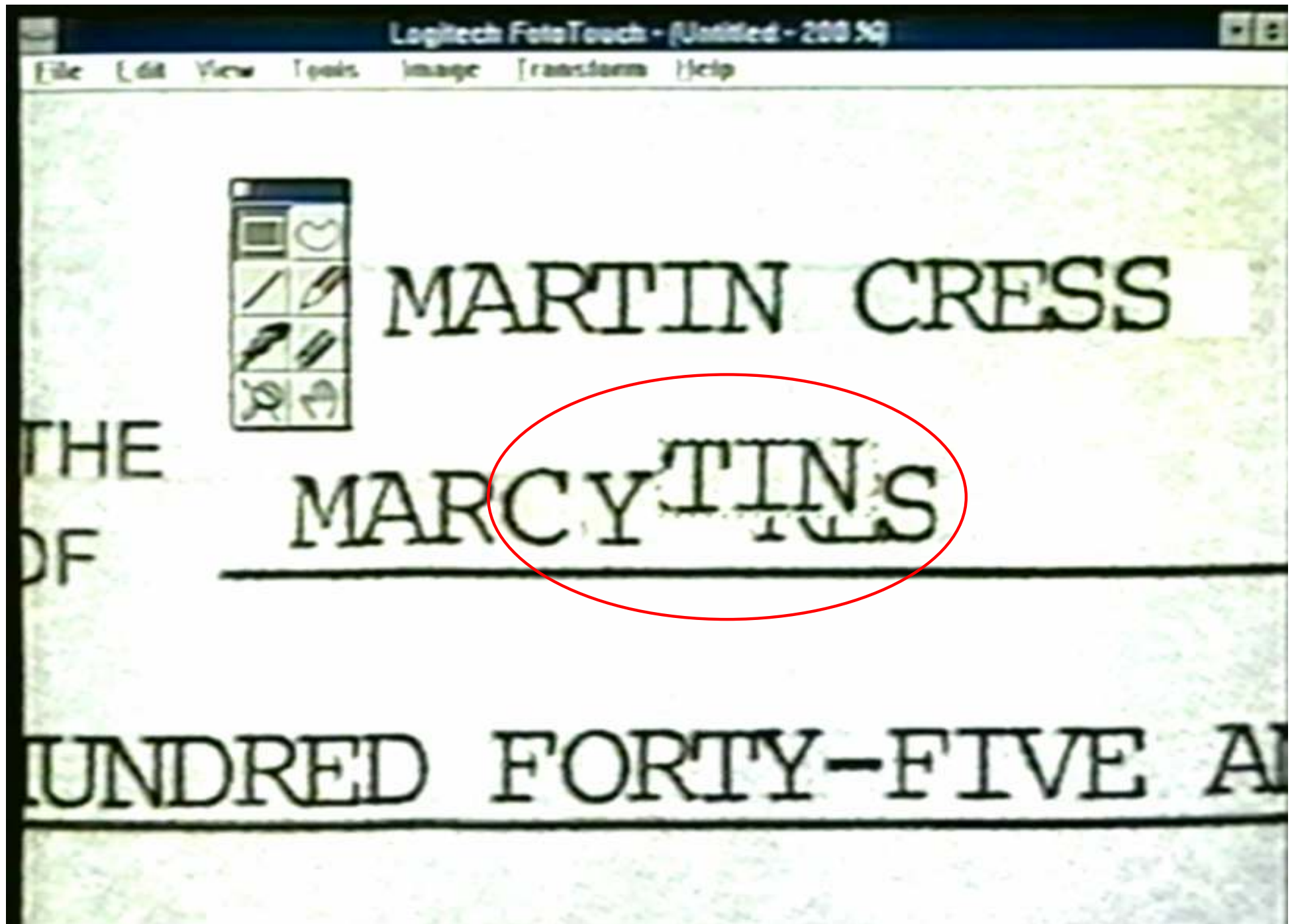
Adobe Illustrator



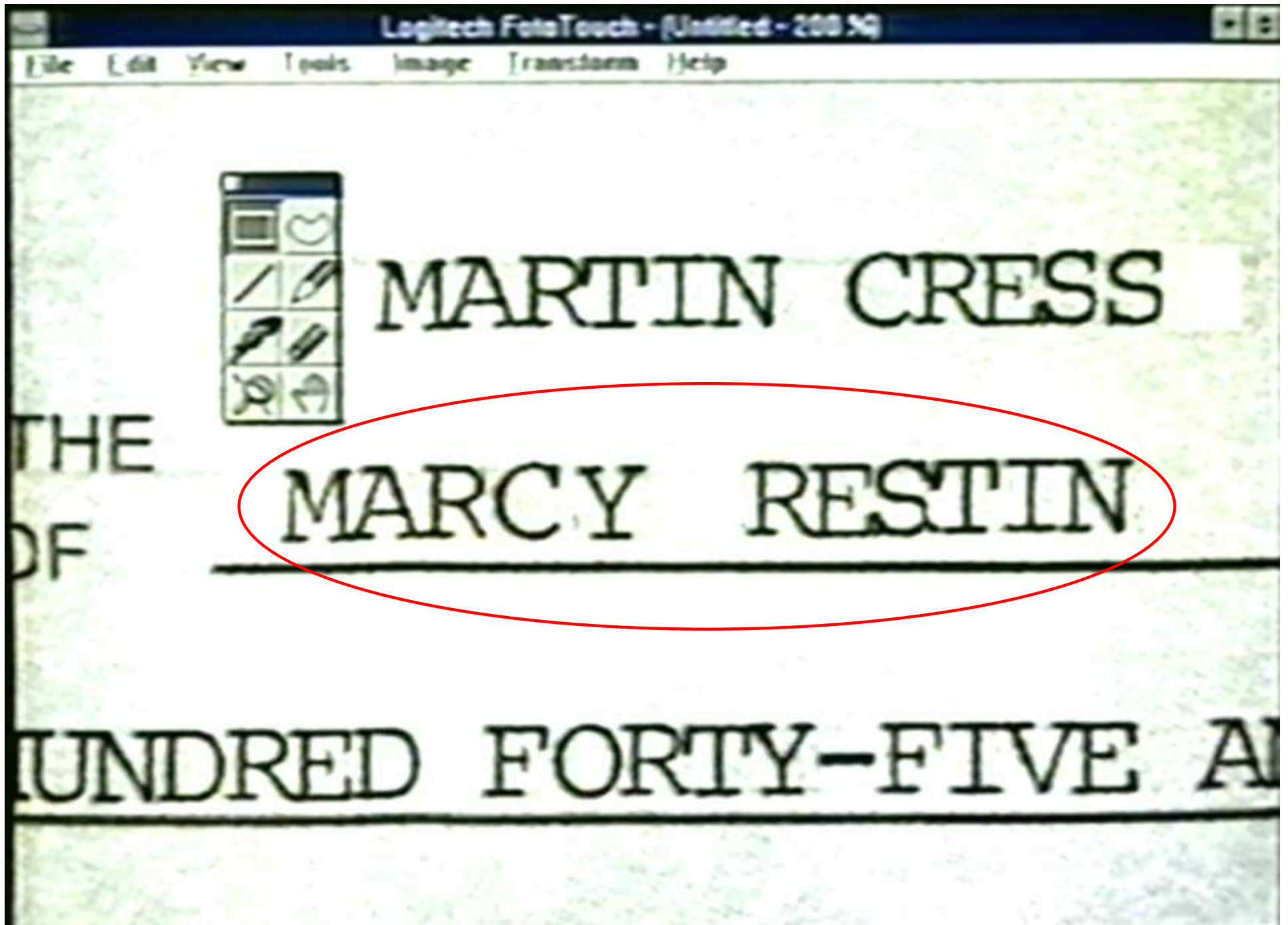
Adobe Illustrator



Adobe Illustrator



Adobe Illustrator



Who Sells Blank, Uncontrolled Checks which Fraudsters use to make counterfeit checks?

- ✓ Virtually ALL business accounting & check writing software vendors
- ✓ Virtually ALL check printers, including:
 - ✓ Large, national check printers
 - ✓ Small print brokers buying from wholesalers

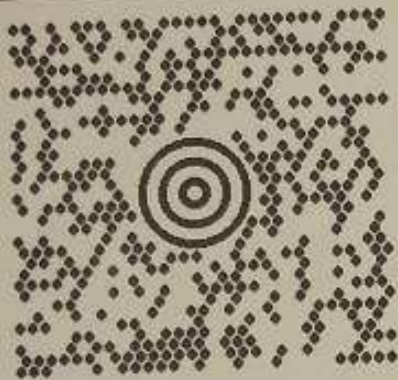
**I bought “high-security” checks
from XXXXX**

using a bogus name and

a closed account number!

BOGUS Name

LANCASTER
SHIP
TO: ATTN: R GREGORY LITSTER
ATTN GREG LITSTER
ABAGNALE ADVISOR
8934 ETON AVE
CANOGA PARK CA 91304 - 1611



CA 914 9 - 1



UPS GROUND

17 000 400 00 0951 1147

**IF SEAL IS
BROKEN**

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED



Comerica

Comerica Bank
www.comerica.com
90-3752/1211

10244

9018 ...
Northridge, CA 91325

PAY TO THE
ORDER OF _____

\$

DOLLARS

THIS ACCT WAS CLOSED IN 2013

⑆010244⑆ ⑆121137522⑆ 189 [REDACTED] 897⑆

RUB OR BREATHE ON THE PINK LOCK & KEY ICONS - COLOR WILL FADE AND RETURN ON AN AUTHENTIC CHECK. IF COLOR DOES NOT FADE DO NOT ACCEPT


Uncontrolled Checks

BUSINESS CHECKS & BANKING PRODUCTS | BUSINESS FORMS | BUSINESS & OFFICE SUPPLIES | PROMOTIONAL PRODUCTS

Home » Business Checks & Banking Products » Business Checks » Laser Business Checks

BLANK LASER CHECKS, TOP FORMAT

Item#: DLT831 Size: 8 1/2 x 11"



QUANTITY	500	1000	2000	2500
DLT831-1 1-Part/Original	\$78.99	\$120.99	\$207.99	\$253.99
DLT831-2 2-Parts/Duplicate	\$165.99	\$240.99	\$406.99	\$482.99
DLT831-3 3-Parts/Triplicate	\$202.99	\$338.99	\$576.99	\$660.99

We recommend this quantity.

1. Quantity

2. Part

3. Color

ADD TO CART »

Uncontrolled Checks

BUSINESS CHECKS & BANKING PRODUCTS | BUSINESS FORMS | BUSINESS & OFFICE SUPPLIES | PROMOTIONAL PRODUCTS & APPAREL

Home » Business Checks & Banking Products » Business Checks » Laser Business Checks

HIGH SECURITY LASER TOP CHECK

Item#: SSLT104 Size: 8 1/2 x 11"



QUANTITY	50	250	500	1000	2000
SSLT104-11-Part/Original	\$87.99	\$140.99	\$194.99	\$263.99	\$444.99
SSLT104-22-Parts/Duplicate	\$108.99	\$249.99	\$341.99	\$480.99	\$770.99
SSLT104-33-Parts/Triplicate	\$125.99	\$288.99	\$416.99	\$663.99	\$1,143.99

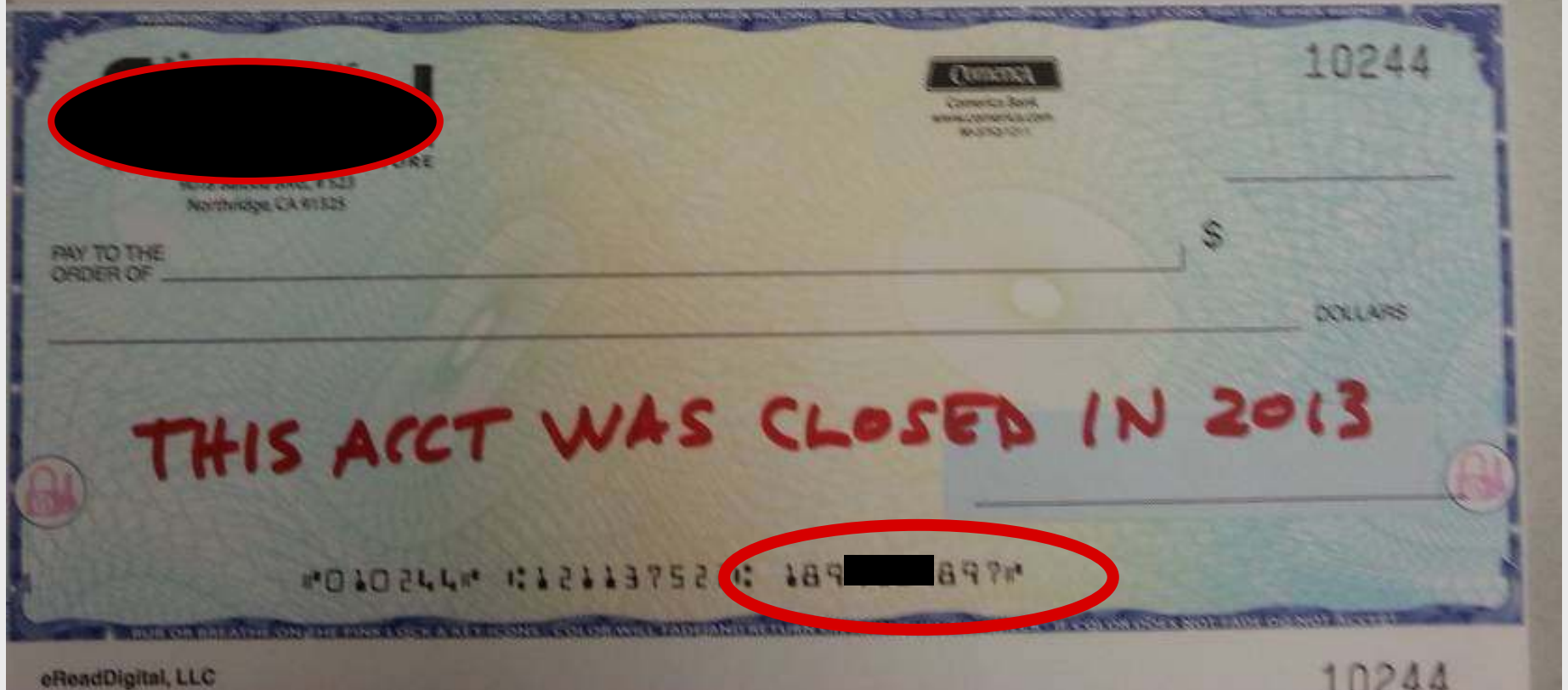
We recommend this quantity.

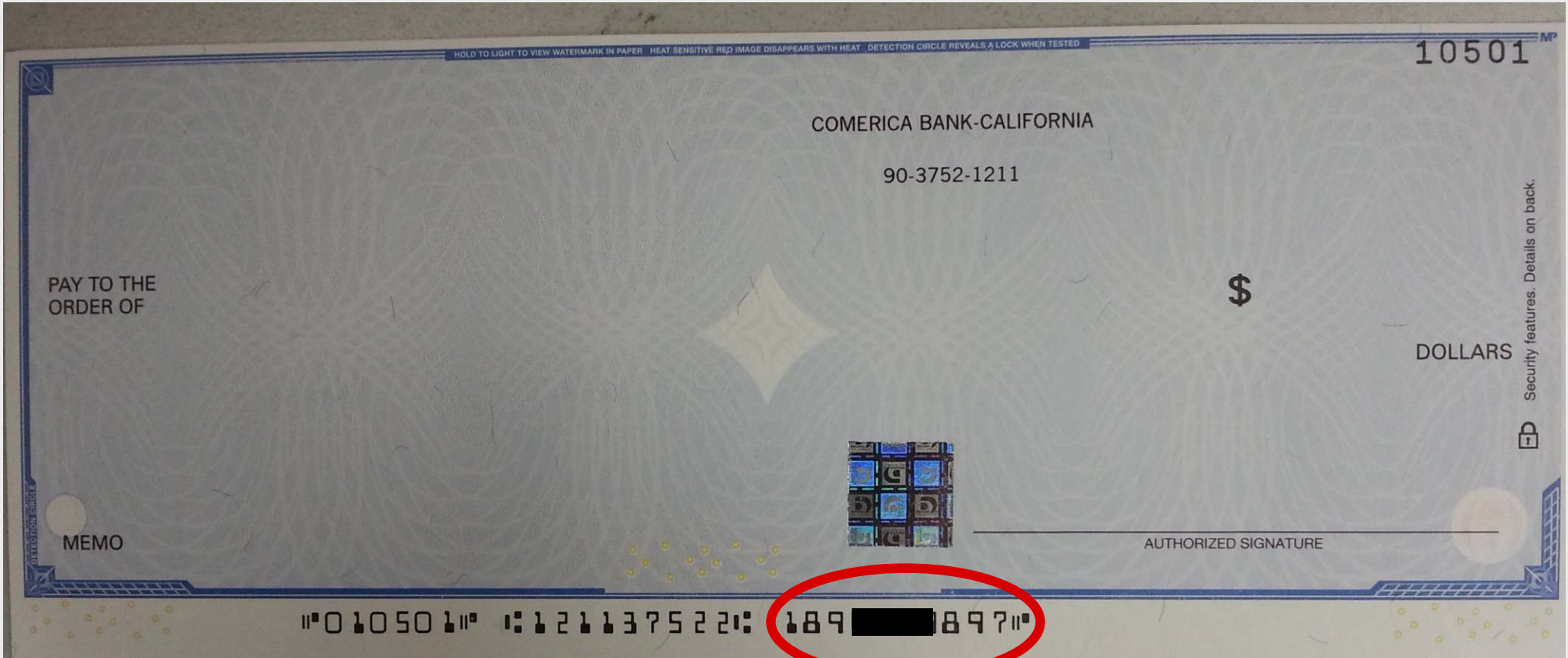
1. Quantity

2. Part

3. Add Matching Companion Envelopes
Save time and money with these perfectly matched envelopes.
See shopping cart for product details and pricing.

CUSTOMIZE NOW »



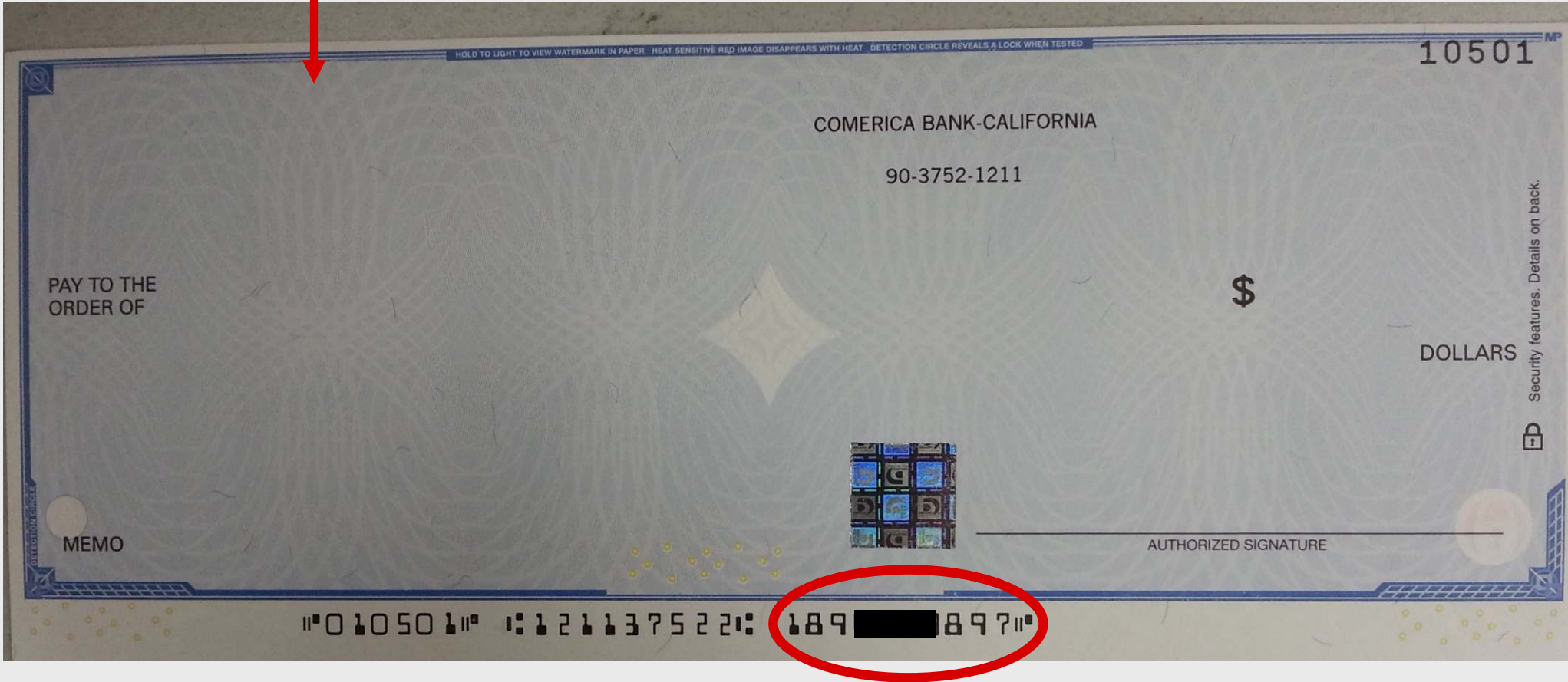


I used this CLOSED Account Number

XXXX did not verify Bogus Name / Closed Account # / Address



Fraudsters ADD a Name & Logo



Fraudsters use ACTIVE Account Numbers

I added...

You Gotta Be Kidding Me! Productions, LLC
1075 Diplomatic Drive
Abuja, Nigeria

PAY TO THE
ORDER OF

Address of the US
Embassy in Nigeria

Bogus Name printed
on after the blank
checks were received

DETECTION CIRCLE

MEMO

⑈010308⑈ ⑆121137522⑆ 18

CASH ONLY IF ALL CheckLock™ SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

1538

COMERICA BANK
90-3752/1211

Abagnale Advisor
Your Town, CA 91101

PAY TO THE
ORDER OF _____

\$ _____

DOLLARS

PROTECTED AGAINST FRAUD



MEMO

⑈001538⑈ ⑆121137522⑆ 18 [REDACTED] 97⑈

1538

I used a closed account number, BOGUS Name
Check Supplier did not verify!

SECURITY FEATURES INCLUDE TRUE WATERMARK PAPER, HEAT SENSITIVE PAPER, FOIL HOLOGRAM.

11252

Abagnale Advisor
Your Town, CA 91101

Any Bank
90-3752/1211

PAY TO THE
ORDER OF

\$

DOLLARS

MEMO



AUTHORIZED SIGNATURE



⑈011252⑈ 1:121137522⑈ 189 [REDACTED] R7⑈

11252

Details on Back.

Security Features Included

I used a closed account number, BOGUS Name
Check Supplier did not verify!

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER AND ORIGINAL DOCUMENT SECURITY SCREEN ON BACK WITH PAOLock SECURITY ICON.

10083



You've Got To Be Kidding Me! LLC

Operating Account
P.O. Box 981
Simi Valley, CA 93063-0981

PIGGY BANK
WOODLAND HILLS, CA

90-3752/1211

PAY
TO THE
ORDER OF

\$

DOLLARS

THIS CHECK IS NON-NEGOTIABLE

MEMO

AUTHORIZED SIGNATURE

⑈010083⑈ ⑆121137522⑆ 189 [REDACTED] 7⑈

You've Got To Be Kidding Me! LLC

10083

I used a closed account number, BOGUS Name
Check Supplier did not verify!

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER



You've Got To Be Kidding Me! LLC

Operating Account

P.O. Box 981

Simi Valley, CA 93063-0981

PAY
TO THE
ORDER OF

MEMO

10083

PIGGY BANK
WOODLAND HILLS, CA

90-3752/1211

\$

DOLLARS

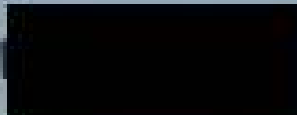
THIS CHECK IS NON-NEGOTIABLE

Security features included. Details on back.

MP

AUTHORIZED SIGNATURE

189



711

10083

Strategies to Prevent

Check Fraud



Encrypted Barcode for Handwritten Checks



- Software application deployed in a bank's operations center
- Encrypted barcode is pre-printed on each check; includes **account holder name, account number & check number**
- Each barcode is **unique**
- Each barcode can be used one time
- Stops Counterfeit Checks

Encrypted Barcode for Handwritten Checks

Encrypted barcode can be pre-printed on personal & business handwritten checks

Each barcode is unique and can be used only once



Encrypted barcode contains Drawer Name, Account #, Check #

Encrypted Barcode for Handwritten Checks



IMPORTANT!

The barcode stops counterfeit checks
but not chemical washing.

Signature Paper stops check washing.
Very Powerful Together!

Positive Pay

**Legal Reasons to use
Positive Pay**

Official Comment 4 to Section 4A-203

Uniform Commercial Code (UCC)

“Sometimes an informed customer refuses a security procedure that is commercially reasonable and suitable for that customer and insists on using a higher-risk procedure because it is more convenient or cheaper...”

Official Comment 4 to Section 4A-203 Uniform Commercial Code (UCC)

“In that case... the customer has voluntarily assumed the risk of failure of the procedure and cannot shift the loss to the bank. But this result follows only if the customer expressly agrees in writing to assume that risk.”

Clarks' Bank Deposits and Payments Monthly

...By analogy, if the bank informs the customer of the availability of state-of-the-art check stock and the customer refuses on the basis of cost, the bank could not shift all of the fraud loss to the customer unless the customer had agreed in writing to assume that risk.

However, the customer's refusal to use reasonable security features on its check paper could easily be a factor in the comparative negligence of the customer.

Clarks' Bank Deposits and Payments Monthly

If the customer decides, for legal and fraud prevention purposes, to use state-of-the-art check stock, the risk of bank liability for check fraud should be reduced.

If the customer stonewalls and refuses to use fraud prevention features after a warning by the bank, the bank should be in a stronger legal position when the customer seeks to have its account recredited later, based on forged checks.

Preventing Check Fraud Lawsuits

Preventing Check Fraud Lawsuits

Bank Strategies

1. Positive Pay: Price to sell, low – but not free
2. If a client rejects Positive Pay, require they sign an indemnity accepting liability for losses

Preventing Check Fraud Lawsuits

Bank Strategies

1. Positive Pay: Price to sell, low – but not free
2. If a client rejects Positive Pay, require they sign an indemnity accepting liability for losses
3. Positive Pay Users: DO NOT TURN OFF other fraud-prevention filters, protocols, procedures:
 - ✓ High-dollar Sight Review
 - ✓ Check serial number out-of-range
 - ✓ Duplicate check numbers
 - ✓ Velocity / Volume activity abnormal
4. Sight Review high-dollar threshold = LOW!!
 - ✓ Check 21's Indemnity REQUIRES Sight Review

Preventing Check Fraud Lawsuits

Company Strategies

1. Buy Check Fraud & Cyber Crime Insurance
2. Implement ALL bank recommendations including dual-authentication when moving money
3. Payee Positive Pay is better than Positive Pay
4. Use controlled checks w/ permanent chemical stain
5. Have your bank agree in writing to maintain all other fraud-prevention protocols & procedures:
 - ✓ High-dollar Sight Review
 - ✓ Check serial number out-of-range
 - ✓ Duplicate check numbers
 - ✓ Velocity / Check Volume activity abnormal

Interrogatories, Document Request for Production

Check Stock

1. Produce all documents that evidence, relate or pertain to the manufacturer of the check stock used by XYZ Corp. in 2020 and 2021.
2. Produce all documents that evidence, relate or pertain to the specific style of checks and the respective check's security features designed into the check stock used by XYZ Corp. in 2020 and 2021.
3. Produce all documents that evidence, relate or pertain to the check security features You recommended that XYZ Corp. use in their checks in 2020 and 2021.
4. Produce all documents that evidence, relate or pertain to the check stock you offered or recommended that XYZ Corp. use since the inception of XYZ Corp.'s Account.
5. Produce all checks presented for payment against XYZ Corp.'s Account with the same border and background design as the Check, for the period January 1, 2021 through April 30, 2021.

Interrogatories, Document Request for Production

Positive Pay and Payee Positive Pay

1. Produce all documents that evidence, relate, pertain to or support that You offered XYZ Corp. Positive Pay prior to the date the Check was presented for payment.
 2. Produce all documents that evidence, relate, pertain to, or support that XYZ Corp. was using Positive Pay on the date the Check was presented for payment.
 3. Produce all documents that evidence, relate, pertain to or support that You offered XYZ Corp. Payee Positive Pay prior to the date the Check was presented for payment.
 4. Produce all documents, notes, evidencing, or relating to XYZ Corp.'s declination to subscribe to Positive Pay or Payee Positive Pay when those services were offered to XYZ Corp. by the Plaintiff.
 5. Produce all documents related to XYZ Corp.'s daily online banking upload/ transmission of check issue information to You that contains check no. ##### for Positive Pay or Payee Positive Pay or any other reason.
 6. Produce all documents that evidence, relate or pertain to mailers, inserts, emails and all other forms of communication notifying XYZ Corp. of the availability of Positive Pay, including the possible ramifications of XYZ Corp.'s refusal to implement Positive Pay.
-

Interrogatories, Document Request for Production

Sight Review of Inclearing Checks

1. Produce all documents that evidence, relate or pertain to Your internal Sight Review policies and procedures, where a human being is employed by You to review inclearing check images of large-dollar checks. Include the dollar-threshold limit for Sight Review that was in effect on the date the Check was presented for payment.
2. Produce all documents that evidence, relate or pertain to Your internal Sight Review policies and procedures, where a human being reviews images of inclearing checks, that are being reviewed for any reason other than the dollar amount, which was in effect on the date the Check was presented for payment. Include the specific policies that explain the exceptions to the dollar-threshold for reviewing those check images.
3. Produce all documents that evidence, relate or pertain to any altered or unauthorized checks that were caught and returned as a result of Your internal Sight Review policies and procedures from XXXX, 2020 through YYYY 2021, which includes the date the Check was presented for payment.
4. Produce all documents that evidence, relate or pertain to Your internal Sight Review policies and procedures, where a human being employed by You reviews inclearing check images of large dollar checks, that were in effect between XXXX 2021 and XXXX 2021.
5. Produce all documents that evidence, relate or pertain to any altered or unauthorized checks that were identified and caught by Your internal Sight Review practices and procedures between XXXX 2020 and YYYYY 2021.
6. Produce all documents that evidence, relate or pertain to the training given to Your employees who are doing, or have done, Sight Review inspection of the images of large-dollar inclearing checks. Include training dates, the amount of time spent on training those individuals during each training event, who did the trainings, the qualifications of the person(s) doing the trainings, and the supporting documents or PowerPoint used in each of the trainings.

Interrogatories, Document Request for Production

X9 and IRD

Produce the digital (Check 21) X-9 file for check number ##### drawn on XYZ Corp.'s account.

Software to detect fraud

1. Produce all documents that evidence, relate or pertain to the fraud prevention software products that You use to compare the signatures and backgrounds of inclearing check images. Companies might include: Kofax, Parascript, SQN Banking Systems, ASV Technologies.
2. Produce all documents that evidence, relate or pertain to or describe the specific software version and specific modules of the software systems for the company or companies identified and listed in Your Response to Request for Production No. 1 above.
3. Produce the reports or results generated by all the software programs You utilize to inspect inclearing check images that include checks with a dollar value between \$XX,000 and \$YY,000 on the date the Check was presented for payment.

Positive Pay does not protect against:

1. Counterfeit Checks using the identical check number and dollar amount
2. Altered Payee Names
3. Added Payee Names

Strategies to Prevent Check Fraud

Payee Positive Pay

Payee Positive Pay

Will not catch Altered Payee Names

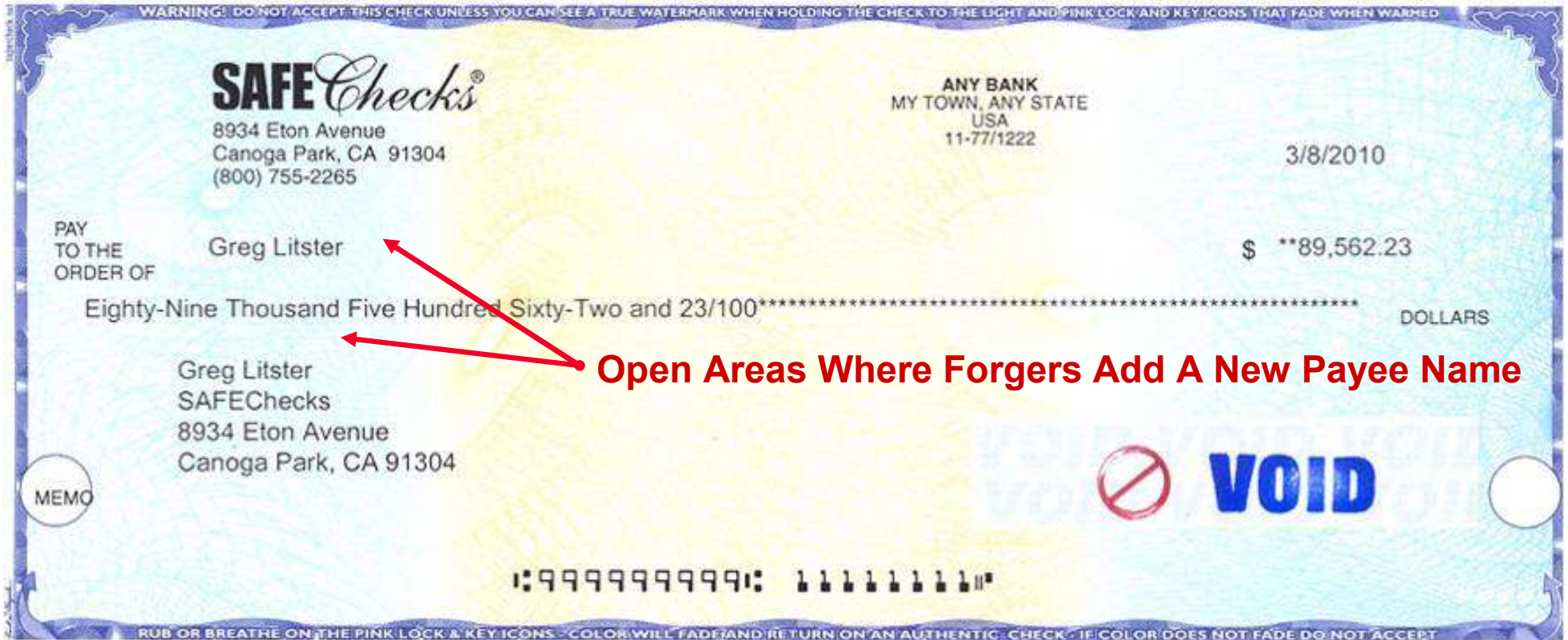
If printed two (2) lines above the real payee name

Banks have NO solution for checks printed with a bogus name two (2) lines above the original payee name

**The “Solution” is a
Secure Name Font**

Secure Name Font

Typical Check Layout



This is the IDENTICAL check-issue data printed through the special software

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

SAFE Checks
8934 Eton Avenue
Canoga Park, CA 91304
(800) 755-2265 • Fax (800) 615-2265
safechecks.com • supercheck.NET

Any Bank
My Town, Any State
11-777/1222

This Check is Protected By™
CheckGuard

Check Number	
300257	

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

\$89,562.23
DOLLAR EIGHT NINE THIRTY FIVE SIX TWO PERIOD TWO THREE

PAY EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee **GREG LITSTER**
TO THE ORDER OF **GREG LITSTER**
SAFEChecks
8934 Eton Avenue
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

NON-NEGOTIABLE

⑈ 300257⑈ ⑆ 9999999999 ⑆ 1111111111⑈

THIS CHECK CLEARS THROUGH POSITIVE PAY

Secure Name Font

Printed TWO LINES above original payee name



Secure Name Font

printed TWO LINES above original payee name

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee **GREG LITSTER** ← **Secure Name Font**
TO THE ORDER OF GREG LITSTER
SAFEChecks
8934 Eton Avenue
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

NON-NEGOTIABLE

⑈ 300257⑈ ⑆ 9999999999 ⑆ 1111111111⑈

The Secure Name Font is created by a printer driver

Leaves No Room for Adding Bogus Payee

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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Payee **GREG LITSTER**
TO THE ORDER OF
GREG LITSTER
SAFEChecks
8934 Eton Avenue
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

NON-NEGOTIABLE

⑈ 300257⑈ ⑆999999999⑆ 11111111⑈

PAYEE NAME ON FILE AT THE BANK

THIS CHECK CLEARS THROUGH POSITIVE PAY

No room for an Added Payee

Secure Name & Number Fonts

are created by a printer driver

1. The software interfaces between your computer and your existing laser printer
2. When printing checks, select the virtual printer
3. The check data passes thru the printer driver, print stream is reformatted, and the checks print out on your laser printer, automatically

Secure NUMBER Font blocks out the area where a bogus Payee Name could be added

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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PAY EIGHTY NINE THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND 23/100 CENTS

Payee **GREG LITSTER**

TO THE ORDER OF
GREG LITSTER
SAFEChecks
8934 Eton Avenue
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

NON-NEGOTIABLE

⑈ 300257⑈ ⑆999999999⑆ 111111111⑈

THIS CHECK CLEARS THROUGH POSITIVE PAY

Secure NUMBER Font

Add **WARNINGS** to the Check



THIS CHECK CLEARS THROUGH POSITIVE PAY
PAYEE NAME ON FILE AT THE BANK

Encrypted barcode

WARNING! DO NOT ACCEPT THIS CHECK UNLESS YOU CAN SEE A TRUE WATERMARK WHEN HOLDING THE CHECK TO THE LIGHT AND PINK LOCK AND KEY ICONS THAT FADE WHEN WARMED

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Check Number	
300257	

CHECK DATE	CHECK AMOUNT
3/8/2010	\$89,562.23

\$89,562.23
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Payee **GREG LITSTER**
TO THE ORDER OF
GREG LITSTER
SAFEChecks
8934 Eton Avenue
Canoga Park, CA 91304

THIS CHECK EXPIRES AND IS VOID 25 DAYS FROM ISSUE DATE

NON-NEGOTIABLE

⑈ 300257⑈ ⑆9999999999⑆ 1111111111⑈

PAYEE NAME ON FILE AT THE BANK

THIS CHECK CLEARS THROUGH POSITIVE PAY

The Encrypted Barcode is created by the printer driver.
Helps deter fraudsters and embezzlers

Encrypted Barcode contains:

1. Drawer
2. Payee Name
3. Dollar Amount
4. Issue Date
5. Check Number
6. Account Number
7. Routing/Transit Number
8. Date and Time Check was printed
9. Laser Printer used
10. The employee that printed the check (deters embezzlement)

Positive Pay files, Secure Name Font
& encrypted barcode are created by the
printer driver - as the checks are printing

NO technical skills are required

to create a Positive Pay or

Payee Positive Pay file

- ✓ Converts Payee Name into ALL CAPS as the checks are being printed
- ✓ NO retyping Vendor Names into ALL CAPS
- ✓ Eliminates any technical skills to create a Payee Positive Pay file

Printer Driver

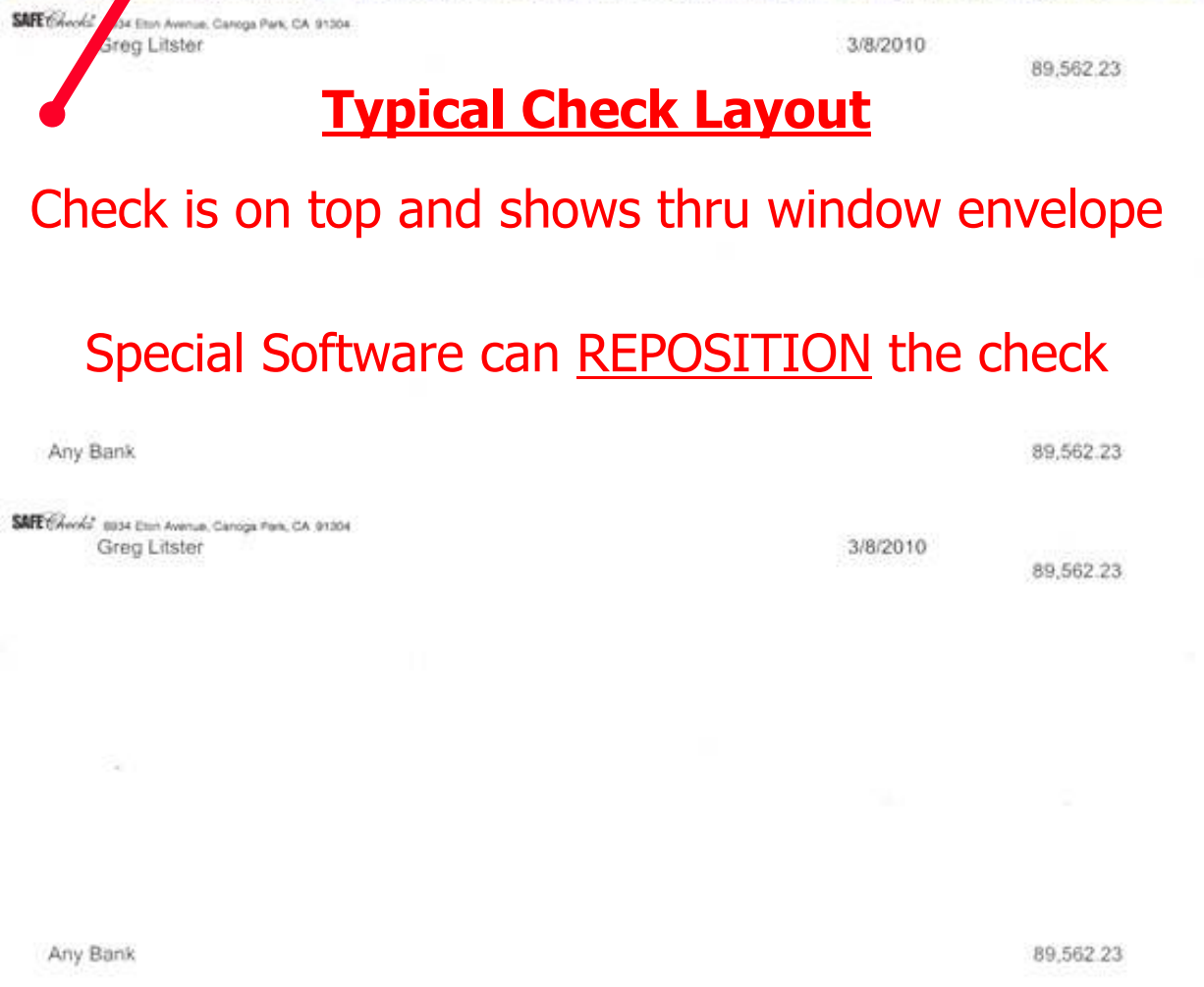
1. Converts font size to 14-point font
2. Accumulates & configures the check data for Positive Pay files
3. Adds Barcode & Secure Name Font
4. Can reposition where the check prints



Typical Check Layout

Check is on top and shows thru window envelope

Special Software can REPOSITION the check





SAFE Checks 8934 Eton Avenue, Canoga Park, CA 91304
Greg Litster 3/8/2010 89,562.23

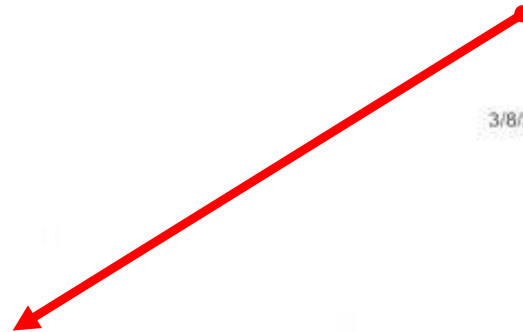
Typical Check Layout

Check is on top; shows thru window envelope

Printer driver REPOSITIONS
where the check prints

Any Bank 89,562.23

SAFE Checks 8934 Eton Avenue, Canoga Park, CA 91304
Greg Litster 3/8/2010 89,562.23



Printer driver can reposition check placement

4680 E. Los Angeles Avenue, Suite L
Simi Valley, CA 93063

White Top Panel shows through window envelope – Not the Check

GREG LITSTER
SAFEChecks
8934 Eton Avenue
Canoga Park, CA 91304

Check Number: 300257
Check Date: 3/8/2010

Invoice Date	Type	Reference	Gross Amount	Amount Paid	Disc. Amount	Amount Paid
						89,562.23

Payee Name, Address, is printed in TOP white panel.

Check is re-positioned to the bottom.

Check is Z-folded TOP PANEL shows through window

It is not obvious the envelope contains a check



Check 21



More Strategies to Prevent Check Fraud

**Why check security features matter
in a “Check 21” world.**

Check 21 Rules

Two Warranties:

- ✓ Image of check is clean & legible;
- ✓ Check is presented for payment only one time; no double presentments.

Indemnity provision adds protection

Warranty or Indemnity Claims

A Breach of Warranty or an Indemnity claim can be filed within one year from the cause of action.

- ✓ Cause of action begins to run the date the injured party first learns of the loss.
- ✓ Claims must be made within 30 days after the person has reason to know or further losses cannot be claimed.
- ✓ Comparative negligence applies.

Strategies to Prevent Check Fraud

Regarding the **Indemnity**, the Final Rule states a bank “that transfers, presents, or returns a substitute check...shall indemnify the recipient and any subsequent recipient...for any loss incurred by any recipient of a substitute check if that loss occurred due to the receipt of a substitute check instead of the original check.

Strategies to Prevent Check Fraud

Check 21's "Indemnity Provision" can force a check fraud loss back to bank of first deposit **IF**:

1. The original paper check had security features that did not survive the image conversion process;
e.g. A true watermark, UV fibers, UV ink
2. The \$Dollar amount of the counterfeit check was such that the paying bank would have inspected it when presented for payment

The Fed gives this example:

“A paying bank makes payment based on a substitute check that was derived from a fraudulent original cashier’s check. The amount and other characteristics of the original cashier’s check are such that, had the original check been presented instead, the paying bank would have inspected the original check for security features and likely would have detected the fraud and returned the original check before its midnight deadline.

The security features that the bank would have inspected were security features that did not survive the imaging process. Under these circumstances, the paying bank could assert an indemnity claim against the bank that presented the substitute check.”

Check 21: email Robin@SAFEChecks.com

CHECK 21, REMOTE DEPOSIT CAPTURE and CHECK FRAUD

Frank Abagnale
President, Abagnale and Associates
abagnale.com

Greg Litster
President, SAFEChecks
greg@safechecks.com

Check Clearing for the 21st Century Act, aka "Check 21" was passed unanimously by the House of Representatives and the Senate in October 2003. It was signed by President George W. Bush on October 28, 2003 and became effective October 28, 2004.

Check 21 allows banks to (1) convert original paper checks into electronic images; (2) truncate the original check; (3) process the images electronically; and (4) create "substitute checks" for delivery to banks that do not accept checks electronically. The legislation does not require a bank to create or accept an electronic check image, nor does it give an electronic image the legal equivalence of an original paper check. Check 21 does give legal equivalence to a "substitute check" that is properly prepared. A substitute check, also known as an image replacement document (IRD), is a new negotiable instrument that is a paper reproduction of an electronic image of an original paper check.

A substitute check must: (1) contain an image of the front and back of the original check; (2) bear a MICR line containing all the information of the original MICR line; (3) conform to industry standards for substitute checks; and (4) be suitable for automated processing just like the original check. To be the legal equivalent of the original check, the substitute check must also (1) accurately represent all the

Frank W. Abagnale

VOLUME 17

THE FRAUD BULLETIN



Hard copies
are available
(800) 755-
2265

Download the
digital bulletin:

<https://www.safechecks.com/>

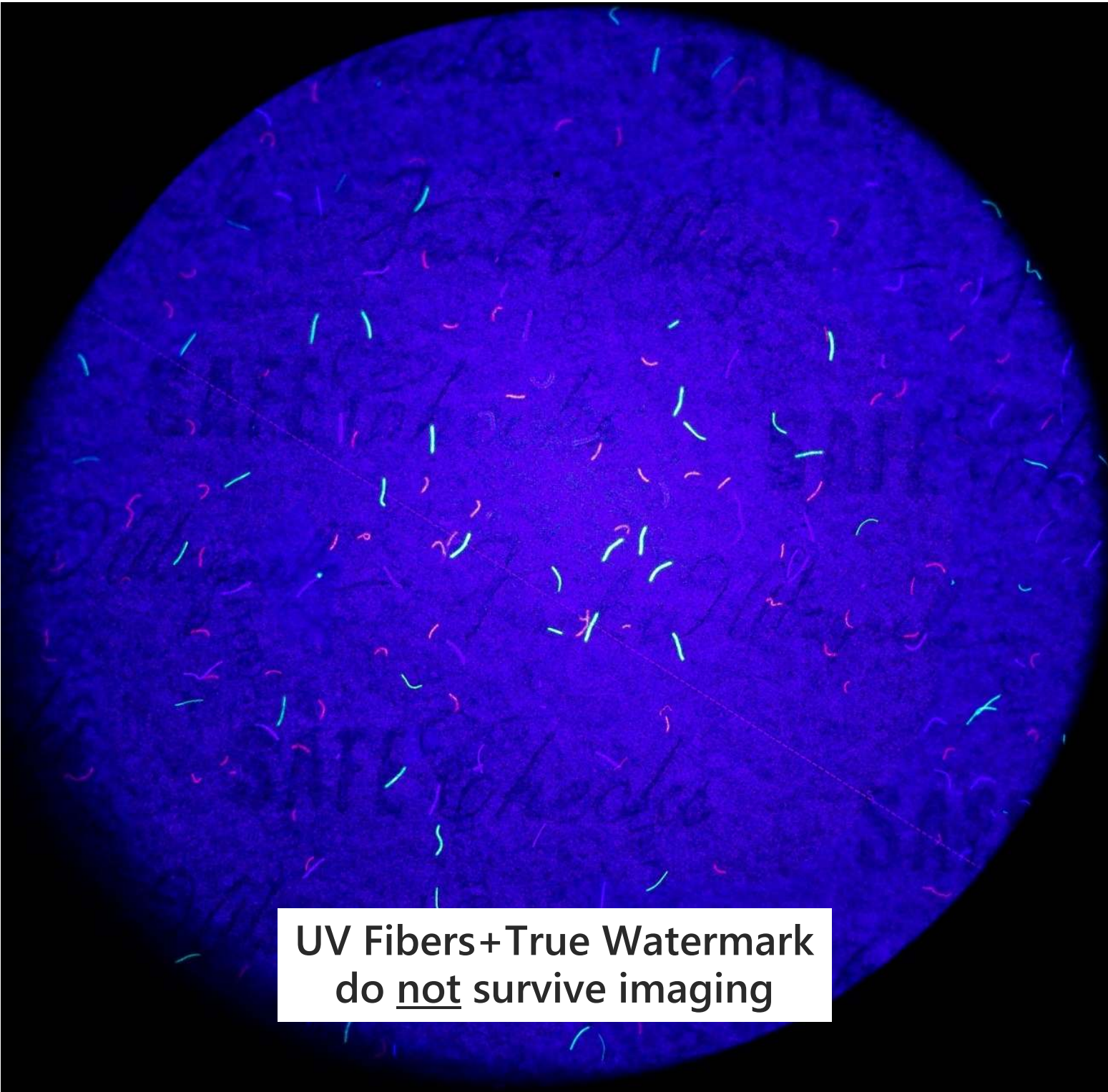
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Signature **PAPER**

1. UV Light-Sensitive Fibers - visible under a black light; fibers of three (3) different lengths & colors;
2. True Watermark of Frank Abagnale's signature & SAFEChecks' logo

Signature Paper is manufactured using biogas from a landfill – <https://signaturepaper.com/>



UV Fibers+True Watermark
do not survive imaging

<https://signaturepaper.com/>

Signature Paper is
manufactured using biogas
from a landfill.

This is the landfill.



Signature **PAPER**





Greg Litster, President
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