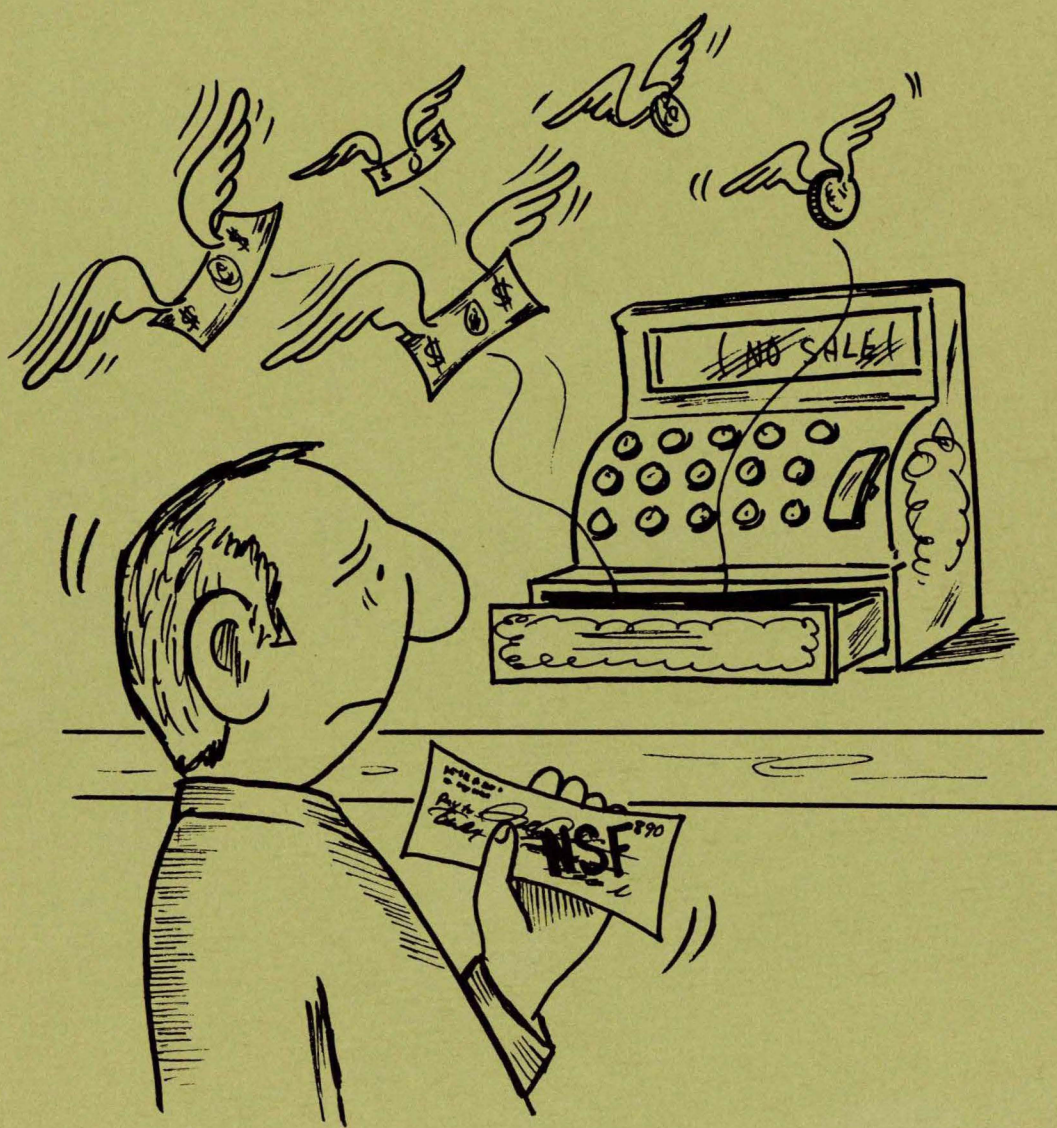


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Cutting the Loss to Bad Checks

by Richard L. Holcomb



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Bureau of Police Science
The University of Iowa

Cutting the Loss to Bad Checks

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Iowa City, Iowa

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Cutting the Loss to Bad Checks

No one knows how much is lost as a result of bad checks. As a matter of fact, there is some uncertainty as to just what a "bad check" is. There are, for example, a considerable number of "insufficient funds" checks. Many of these are made good with no problem at all and others are never collected. Even in the case of the insufficient funds check that is picked up immediately, there is still a loss because of the extra time and effort involved.

In any case, the loss because of bad checks runs into the millions, and very probably into the billions. This is the most frequent loss to business. The business that has several check losses a week may have a burglary only once every several years and may never suffer a hold-up. Some sorts of retail business do lose a great deal to shoplifters, while other businesses, because of the nature of the merchandise or because they do not handle merchandise, do not have this sort of a loss. But they still get bad checks.

We depend more and more upon checks in the conduct of our business. Not too many years ago it was unusual to see a small purchase paid for by check. Now cash seems almost to be the exception. There are many advantages to a cashless society, but a major disadvantage is that while it is a difficult process to counterfeit money, anyone with a third grade education can write a check, and if he is persistent, get it cashed. In return he can get merchandise of his choice, often articles too big to shoplift, and all too often some cash to boot.

*Set a Policy on Checks, Put It in Writing,
Then See It Is Followed*

Your place of business probably has some sort of an understanding about how to accept or reject checks. This policy should be in writing; everyone involved should understand it and, equally important, you should check to make sure it is followed.

Not only will following a policy result in lower losses, but it gives you a nice out when someone ob-

jects, for example, to furnishing two sorts of identification. When you say, "I am sorry, but this is our policy," most people understand and don't feel they have been singled out for special treatment.



Today, cash seems almost to be the exception.

What Does a Bad Check Writer Look Like?

There is a simple answer. A check writer looks just like anyone else. This is his stock in trade. The check may be presented by a neatly dressed young man, a typical housewife, a prosperous-looking executive type, a laboring man or a sweet little old lady. Very few criminals look like criminals. The thing that most impresses you when you visit a penitentiary for the first time is that the inmates look just like anyone else.

There is one thing that sets check writers apart from the rest of criminals—there are many more women in the group. Society has so repressed women that, as in other professions, many criminal careers are not open to them. Burglary and robbery have been reserved almost entirely for men. Even in a nice, clean, crime-like embezzlement, men still predominate. The woman embezzler who held first place for a few years with her record of about two and a half million dollars has now been dethroned by a man. Check writing, though, is made to order for women. A woman can operate in the daytime and still be home when the kids get out of school. She can have the career denied her by a male supremacist society. She can change her appearance much more rapidly than a man by putting on her wig and taking off her high heels. She can make use of her natural attributes. In one case the only description a male victim could come up with was the fact that the check writer was 40-23-36. As a result, no matter how sweet and innocent the little lady looks, follow the rules when she smiles and asks you to cash her check.



Check writing is made to order for women.

You can rarely tell by looking at the person presenting it that the check is bad, but there are a number of things that you can do that will reduce your loss. Remember, the phrase is “reduce your loss,” not “prevent you from ever getting stuck with a check,” for sooner or later even one of your good friends is going to give

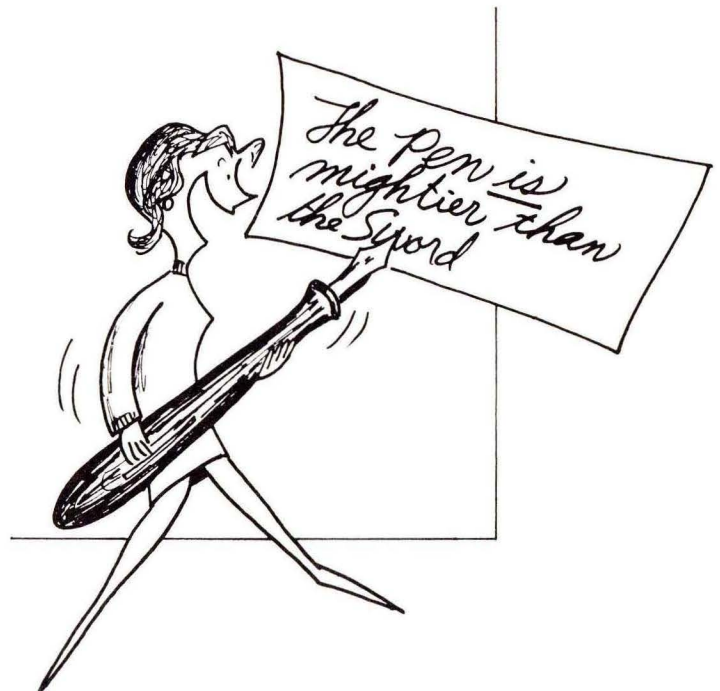
you a bad check. There is always an element of risk involved. You are going to have to balance off the possible loss if you cash the check against the possible loss if you don’t cash it.*

HOW DO YOU PROTECT YOURSELF FROM BAD CHECKS?

A series of things to do will be discussed first. Then there will be a series of things *not* to do. Many of the points will overlap, so it is important to know all of them. Following these procedures will not mean that you will never have a loss from a bad check, but that your losses will be reduced.

Look at the Check

All too often the only thing the person accepting a check looks at is the amount written in numbers. Here are a couple of examples to prove this point. In one case a grocery store cashed a receipt. While the receipt was the size of a check and followed the same general layout, it very clearly said “Received Of” and not “Pay To.” The store owner endorsed it and gave it to the man who sold him chickens, who took it to the bank as part of a deposit. The bank discovered the error. In another case, a police officer in plain clothes working on a public education program endorsed a check at a location where he was not known with the phrase “You Have Just Been Screwed.” The check was accepted without question.



Look at the check.

Therefore, do more than glance at the amount. Make sure the amount in numbers is the same as the amount spelled out. Check to see, if it requires an endorsement, that the endorsement is the same as the name appearing on the line "Pay To." A stupid person with a stolen check may not have bothered to learn how to spell the name he is forging. Of course, make sure it is a check and not a receipt. Even more common is the acceptance of the statement of earnings or other record often attached by a perforated line to a check. Because this is printed on safety paper just like the check and has an amount shown, a surprising number are "cashed." Look at the date. A post-dated check is a sort of promissory note and you may be extending credit when you did not intend to. Occasionally if a payroll check is forged, the date may be just a year off, especially during the first few months of the year. While this mistake is not uncommon in handwritten checks, it would be highly unusual with other sorts. If the check is on a punch card, look to see if the card does have some punches. One forger printed his own checks very skillfully on punch cards but was caught when an alert clerk noted the absence of punches.

The credit of the United States Government is excellent, but government checks are no good at all unless endorsed by the person whose name is after "Pay To." Make sure the person presenting it is the proper person, for more government checks are stolen than any other type.

Look at the amount very carefully. Maybe the check has been raised. Checks should be written so that they are difficult to raise, but in many cases it is possible to add a number or word, or alter a number or word so that the amount can be increased substantially. Unless this is done very cleverly, it is not too difficult to spot, but you still have to look for it. Of course, any evidence of an erasure should immediately alert you. One way to avoid suspicion is for the check to be presented in bad condition, as though it had been carried around folded in a dirty pocket or billfold for some time. The passer will be apologetic about the condition of the check, but a dirty fold at the right place can cover up an erasure or an alteration.

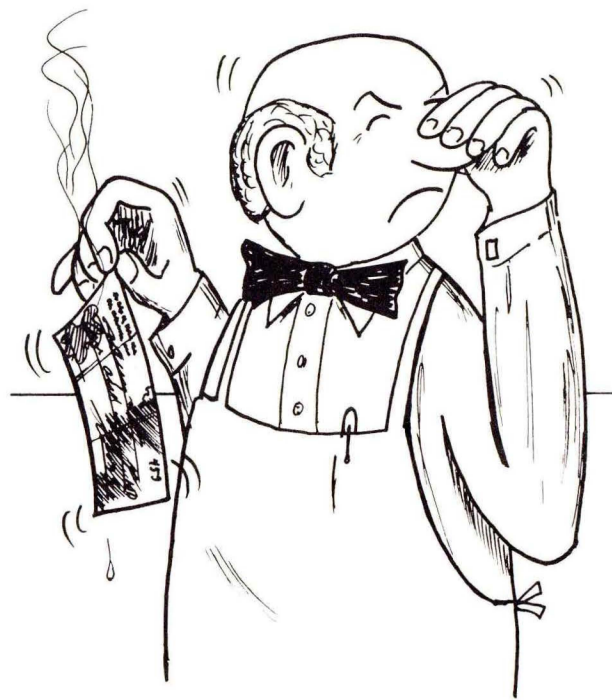
Take an overall look at the check; does it just plain "look right?" It may not and it might take you a little while to figure out why it doesn't look right. For example, one group of teenagers cashed some checks on which one of them wrote in the date, another the payee and so on. They hoped to foil the documents examiner with several different kinds of handwriting.

If the check has already been endorsed, have the writer endorse it again in your presence, then compare the two signatures.

Compare the writing on a personal check, especially the signature with the signature on the identification shown you. This comparison should also be made with the endorsement. Perhaps the check is a good forgery, and perhaps not forged by the person presenting it, so if he has to make an attempt to forge the signature in front of you, he may not do too well.

Look at the Person

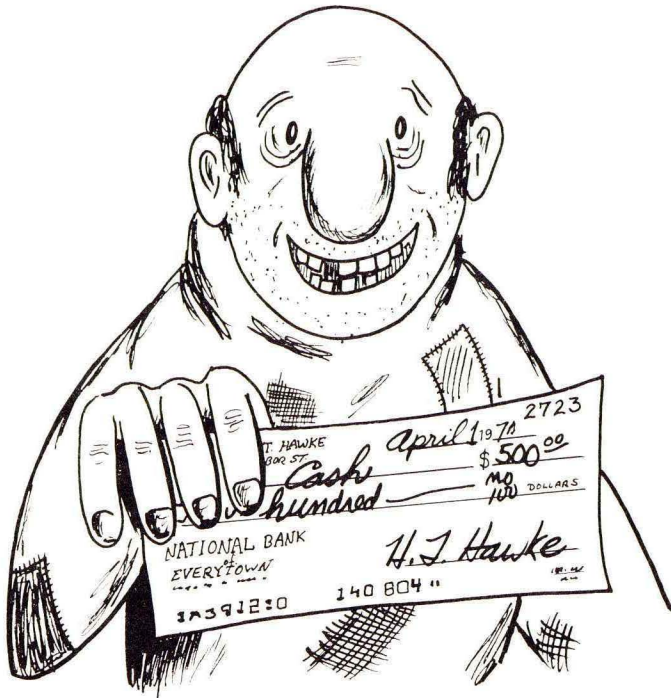
How well does he match the description on the identification? Far too often all of the attention the identification receives is a glance. In some cases, of course, the check writer may have gone to the trouble of getting a driver's license or some other identification under a false name, but again, it may be stolen identification, and while the person presenting it is six feet tall and blond, the description shows five feet, six inches, and black hair.



A dirty fold at the right place can cover up an erasure or an alteration.

How does the person fit in with the check? Is this a sixteen-year-old boy presenting an old-age assistance check? Is it a bum presenting a check from one of the more exclusive men's shops? If the check is from a local contractor, does the man presenting it look like he does manual labor? His hands are often the key. Does the woman presenting a check marked "Pay for housework" look like she had never boiled water in her life? Again, and just like the check itself, something

may not look right even though you are uncertain as to just why the check and the person presenting it do not seem to go together, so take a little time; you may figure it out, or he may get nervous and leave.



How does the person fit in with the check?

If It Is a Personal Check, See It Written

If the check turns out to be bad, you want as much handwriting of the individual as possible, for this will help prove that he actually wrote the check. In addition, if the check is a forgery, some time might have been spent in preparing it before the passer came into your place of business, and as a result, if it is a good forgery, it can cause the handwriting expert considerable effort. On the other hand, if you see it written out, the chances of a presentable forgery being produced are lessened.

In addition, do not write out the check for the person for him to sign. This follows the rule of getting as much of his handwriting as possible.

Accept Only Personalized Checks

Personalized checks are now available to everyone with a checking account. This move has reduced the number of bad checks by making it more difficult for the swindler. It used to be common to see a dozen different check forms near the cash register in most stores. This was made to order for the bad check artist. As a matter of fact, many bad checks were written with the name of the bank crossed out and the name

of another bank written in. A number of banks have stamped their own names on the "Pay To" lines of their counter checks so that they won't serve as a source for bad check forms.



It used to be common to see a dozen different check forms near the cash register.

Accept Checks Only for Amount of the Purchase

In some types of business, this is an effective practice. For example, only the small-time check writer will purchase groceries or minor items with a bad check, for he is not going to gain much. Beware if you have items that are of relatively high value, especially if they can readily be re-sold, such as cameras, radios, TV sets, etc.

If a Purchase Is Made With a Check,

Note This on the Sales Slip

While accepting checks for the amount of purchase will reduce your loss, some people have learned how to turn merchandise into cash equal to the sales price of the merchandise. All they do is buy an item with a bad check, then return it for a refund. They pick a different person for the refund, not the person making the original sale.

The way to stop this is simply to note on the sales slip if the payment was by check. Then if the refund is requested before the check has cleared, offer to mail the refund. This gives you time for the check to clear. Of course, some check passers will act very indignant, but usually if you explain this is a standard

operating procedure there will be no objection. Of course, if you know the person and know the check is good, you can make a cash refund.

Use Two or More Forms of Identification

A good check writer will carry better identification than you have, and of course, he will generally have several complete sets of identification. However, your small-time check writer is usually not this well prepared.

A driver's license is usually accepted for identification and at the same time a driver's license is one of the easiest forms of false identification to come by. It can be stolen, purchased from a thief, forged or obtained through the usual methods of getting a legitimate license.

Some check writers have certain forms of identification that they believe will be very well accepted. For example, one man presented a hunting license and a library card. These are a little unusual and most people feel that anyone who reads and hunts is bound to be an honest person, but these two sorts of identification can be picked up in a matter of minutes.

It is not a good practice to accept identification originally presented. If you are suspicious, ask for some other form of identification. The check passer may have only the two forms he presents to you prepared as a part of his check writing plan. As a result, if you see that he apparently has other identification in his billfold, ask to see something else.



If you see other identification in his billfold, ask to see something else.

There is a switch on this system of asking for identification. One young man who quit burglary because he was afraid of getting shot started writing checks. He had *no* identification. Some people would think that here must be an honest man who is not trying to trick me, for he is so trusting that he has no identification. Most people cashed his forged payroll checks. If the first victim didn't, the next place down the street did.

One trick is to use a bill stolen from the mailbox for identification. The check presented might also have been stolen from the same mailbox or it might be a personal check for an amount larger than the bill. Of course, this plan only works in the larger stores where the employees are unlikely to know the credit customers personally and so are unlikely to be suspicious if a stranger pays a bill for a regular customer. Even if the customer is known, you can be taken in, for the thief may say that he is a neighbor of poor old Mrs. Smith and she asked him to pay her electric bill and cash her Social Security check, but the bank is closed, so could you please cash the check and take out the payment for the dear old lady's bill.

Be Suspicious of People and Checks from Out of Town

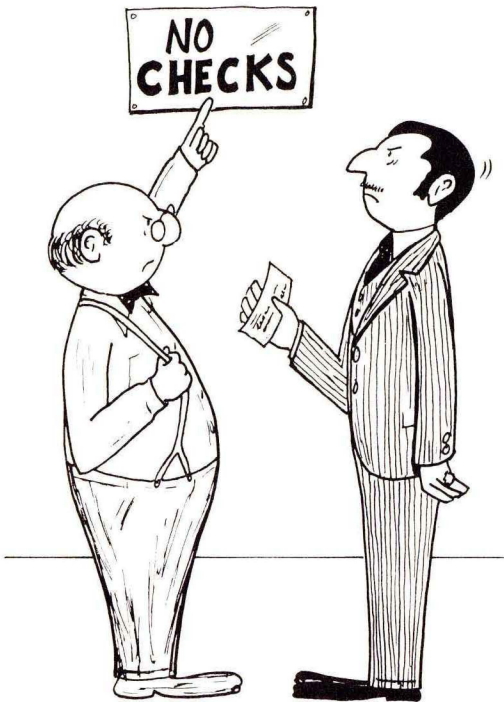
Because it is a little more difficult to check on a person or a bank from another town, some check writers depend on this additional inconvenience for protection. They know that you will be less likely to pay for a long distance call and that you cannot check your local phone book or city directory. In addition, they do not have to be able to enter into small talk about local events.

Of course, this does not mean that all checks from out of town are bad and that all local checks are good, for the best check writers will make it appear that they are native sons.

Don't Assume You Know the Person

If you actually not only know the person presenting a check, but in addition know that he is reliable, you are on sound ground. The trick is that many confidence men will convince you that you do know them. Here are a couple of ways this is done. In one town a man and his wife moved into a motel and then spent two weeks looking around town for a business and a house to buy. He deposited two thousand dollars in the local bank and then spent most of his time meeting just about everyone in town and telling them how well he liked the town and that they intended settling there. As with most check writers, this couple was very personable, made friends easily. Late one Friday, he closed out his account at the bank; then Saturday morning with the bank closed he bought a van-type

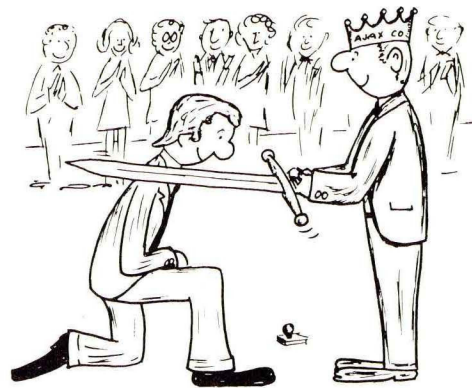
truck and loaded it up with a whole variety of purchases from his newfound friends, all paid for with checks on the closed account. Another check writer who operated nation-wide for over fifteen years always selected a home-owned store as a victim. He would inquire around the neighborhood just enough to find out one fact about the owner. He would then wait until someone he was sure lived in the neighborhood went in the store and would walk in with him, carrying on a conversation about the weather. When it came his turn to be waited on, he would ask the owner, "Joe, how is your wife doing? I hear she has been down with the flu." Joe would think, "I ought to know this guy. He came in with Jim and knows about my wife." The immediate assumption is that here is someone you know whose name has escaped you for the moment, so the check is cashed.



Be suspicious of people and checks from out of town.

Designate Certain Employees to Accept Checks

Some people are better than others in spotting a suspicious check. Some are less likely to be rushed into cashing the check because the person presenting it is in a hurry, less likely to fall for hard luck stories, and more observant. You know who these employees are in a general way, but you can be wrong. Therefore, you should have every check initialed by the person accepting it, then keep a record of how many each person accepts and what percent are bad.



Designate certain employees to accept checks.

Limit the number of people who can accept checks. This may cause some delay, but this can work in your favor, for the person with a bad check doesn't like delay and is suspicious of any procedure out of the ordinary.

You may want to set a limit on the amount of checks that can be accepted by certain employees. For example, the assistant manager might approve all checks over \$100 and less than \$500, with the manager approving checks over \$500.

Some self-service stores require that a check be OK'd at the service counter and not in the check-out line. The people at the service counter are under less pressure, have less chance for distraction, and so can do a better job. In addition, there will be an opportunity to do a little investigation of a suspicious check during the time the person goes to the check-out line and waits to be checked out. The check writers know this, so they avoid this kind of situation. Just make sure that in OK'ing a check you do more than initial it. It is too easy to forge initials. Use a stamp that is not too easily duplicated. It is also a good practice to write driver's license numbers and similar identification on the check.

Try to Get the License Number of the Car

This is easy to do in filling stations and garages. If you have carry-out boys, work out a system for the



Use a stamp that is not too easily duplicated.

check-out person to signal them to get a license number. Usually the license number will be a big help to the police. It is unusual for a check writer to use a stolen car, but he might have rented a car; even then this will give the police a little more to go on.

Keep up to Date on the Bad Check Schemes in Your Area

Some Chambers of Commerce do a good job of informing their membership of check writers operating in the vicinity. Also read the newspaper stories. You may be able to spot the fraud before you become a victim. The skilled professionals know this, so when they come into a town they hit several places in rapid succession and then leave for a new town some distance away. However, many criminals are not very smart, and if a plan works for them, they will keep on using it.

A widely used system of alerting possible victims should be mentioned, for it has worked well in practice. If a businessman suspects he has just been a victim, he immediately informs the police. They then inform either the Chamber of Commerce, which takes it from there, or call three key businessmen. Each of these three calls more pre-selected names and each of these in turn calls three more. As a result, first three places are notified, then nine, then twenty-seven, then eighty-one, then two hundred and forty-three. In just

five sets of calls, three hundred and sixty-three warnings are out and no one has had to make over three phone calls.

Inform the Police as Soon as You Even Suspect You Have a Bad Check

Time is of the essence. As mentioned above, many check writers move rapidly. Very often the police can tell you at once if a suspicious check is bad, for they may already have several of them in their files. Don't feel that you can't do much to help the police, for most criminal investigations are not based on one great big important piece of information but rather on a large number of small bits that when put together give a complete picture. Even if you are just suspicious, the police want you to call, for they know that many criminal cases start from a tip from a citizen. So they would rather run down a dozen false leads than fail to prevent one crime.



Notify the police as soon as you even suspect you have a bad check.

Deposit Checks Promptly

There are several reasons for this. First, if any of the checks are bad, action can be started sooner. Second, the general rule of law is that there is no crime if the money to pay the check is in the bank for a reasonable time after the check was accepted. This "reasonable time" is only three to five days. Of course, if the account is closed or there are insufficient funds,

you probably will be able to collect civilly, but you will have to go to some trouble to do it. Third, it is bad business to keep checks around. A sneak thief in the daytime or a burglar at night may steal them. You will have a problem, but you can save a lot of time and trouble if you keep a check register simply listing the amount, name of the writer, and the date.

Be Doubly Cautious When the Banks Are Closed

Many of the best check writers work only when the banks are closed so that you can't call in to find if the check is good. They realize that if they have just about convinced you that the check is good you still might call the bank if it is open, but with the bank closed you might take the chance and accept the check.



Many of the best check writers work only when the banks are closed.

HERE IS A LIST OF "DONT'S"

Don't Be Afraid to Stall

As soon as there is any delay, as soon as the transaction looks any more than just routine, the check writer starts worrying. He knows he is on a thin edge and is afraid of falling off. If you have even a little doubt in your mind, take the check into your office, to the back room, over to another person, or over by the telephone. Keep an eye on him at the same time. You may see him leave. This is especially true if you combine two of these moves. For example, you go over to

another employee, say a few words and then go over by the phone. Most check writers want to hurry you, but don't be hurried.

This system does not work one hundred percent. Some of the best, and some of the stupid ones, have a lot of nerve and have been so successful so many times that they don't get shook up easily. Again, there is the old scheme where the crook deposits three hundred dollars in the bank, then in an hour writes a thousand dollars worth of checks on that account. If you are only the first or second person who looks like he might suspect something, he is not at all bothered, for he knows that a call to the bank will verify the fact that he has enough money to cover your check.

Don't Assume You Know the Person

The fault in this assumption was pointed out in previous discussion. The best check writers capitalize on making you believe you know them, that they are regular customers. Here is another example. A lady came into a paint store. She was wearing a house dress with paint on it; she had the same color paint on her hands and a smudge on her face. She was carrying an empty can of the brand of paint the store sold and said, "You know what always happens, you get about through painting the living room and then run out. Give me another quart." The businessman took a bad check, gave her the paint and enough change to equal the profit from many more sales. Would you have?



Most check writers want to hurry you, but don't be hurried.

Don't Worry if They Become Angry

The best check writers put on a marvelous act if it looks like you are questioning their integrity. This may catch you flatfooted. Here is a very well-dressed man or woman who is making a large purchase that will net you a good profit. You are torn between your suspicions and losing the sale. When he becomes indignant, starts talking in a loud voice and attracting attention, you may apologize and accept the check. Remember, he should not expect to be able to pass the best check in the world where he is unknown without a little questioning.

There is a clever variation on this. A very well-dressed woman selected an expensive fur coat and offered a check in payment. Since she was not known, there was a delay while a phone call to the bank verified that the check was good. She became incensed at the delay and informed the clerk that she did not want to do business with a store that did not trust her and that they could keep the coat, that there were plenty of other places willing to accept her money. She then stormed out and the store personnel were upset over losing such a good sale. In about an hour she was back, apologized for her conduct, stating that she realized that since she was not known the store had every right to check on her and besides, she hadn't seen any other coat she liked as well. She then gave them a check, took the coat and departed. You



Don't worry if he becomes angry.

probably can guess where she was during the time she was gone—over at the bank closing out her account.

Don't Be Impressed by Nice Clothes and a Prosperous Appearance

You would look prosperous too if you bought your clothes with someone else's money. We automatically feel that if a person looks like he has money, he actually does. And he may well have, but he got it dishonestly. Appearance is the stock in trade for these crooks. They appear to be accustomed to getting what they want, to giving orders. As a result, some businessmen look only at that sale (paid for with a check) and possible future sales and then forget all of the rules.



Don't be impressed by nice clothes and a prosperous appearance.

Of course, looking like a million dollars is just one trick. A good check writer dresses and acts the part being played. Remember the woman in the house dress with the paint on it? If it is a payroll check from a construction company, the passer will have a hard hat. In a large city where you don't know all of the physicians he may even show up in a doctor's white coat with stethoscope attached.

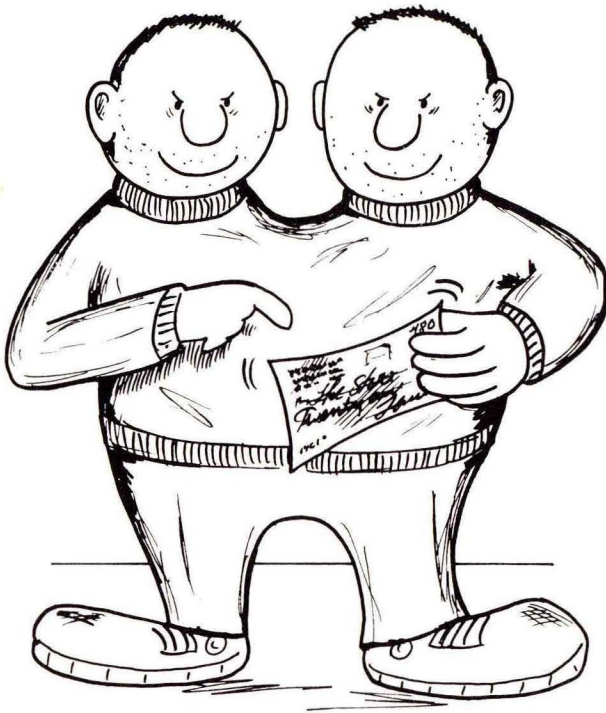
Don't Accept Checks from People Who Appear Drunk, Senile or Confused

A great many check writers are alcoholics and support their habit with bad checks. Elderly people may

suffer from poor memory and forget they no longer have a bank account or if they do, how much is in it. Mentally ill people often write checks. They may have delusions of grandeur and feel they could write a check for a million dollars. Usually you will spot and avoid these people, but you won't if OK'ing checks is such a routine procedure that you automatically sign your initials.

Don't Accept Two-Party Checks

A two-party check is one made by another person to the person presenting it to you. In these cases the crime is hard to prove, for it must be shown that the person you cashed the check for knew it was no good. The police not only have to find him but prove that he either wrote the original check or was in collusion with someone. The defense is often very simple. The person who gave you the check just says, "I sold this man my outboard motor and he gave me this check. I wouldn't have taken it if I thought it was no good."



Don't accept two-party checks.

Don't Accept Post-Dated Checks or Checks with an Old Date

A check that is post-dated (a date in the future) is actually a poor form of promissory note. There is no crime in many cases and you have a collection problem on your hands. In the case of checks with an old date, you may be the loser if there was money in the

bank for several days after the date on the check unless you can show in court that it was presented to you on a certain date. Even then, you don't have too good a case. There is also a good possibility that this is a stolen check with a resulting delay while it had a chance to "cool off."

Don't Be Taken in by Hard Luck Stories

The best bad check writers are what is known as "Sociopathic Personalities" or "Psychopathic Personalities." They can lie more convincingly than you can tell the truth. Their ability to convince you a check is good is remarkable; they are often very inventive and one usual approach is a hard luck story. They are the innocent victim of circumstances and you are their one hope of survival. The stories they make up and dramatize so well change constantly and are adapted to the occasion, so it does little good to give examples. Just don't feel that the only way for that nice young man to get home to his dying mother is for you to cash his check. Don't, even if he agrees to give you his 21-jewel wristwatch and his two-carat diamond ring as security. You would be better off buying them for about three dollars.

Don't Offer to Cash a Check

In some of the cleverest schemes the crook doesn't ask the victim to cash a check, the victim offers to. Again, these methods vary, but here are a couple of



Don't be taken in by hard luck stories.

examples. A woman accompanied by her working-man husband selects a low-priced blouse. She fumbles around in her purse for the money and can't find quite enough so says to her husband, "Honey, give me a dollar." He replies, "I haven't got any money." She says, "You just got paid," and he answers, "Yes, but I haven't had time to cash my check yet." He then turns to the sales person and says, "Would you hold on to blouse while we go out and cash the check?" The wife then says, "Maybe they will cash your check here." The husband says, "They don't know us here, you can't ask them to cash the check." About then the clerk offers to cash the check. In another case, an officer of a bank walked into the lobby after lunch and noticed a neatly dressed, middle-aged lady just looking around. He said, "Madam, can I help you?" She replied, "Yes, I need a little information. My husband is in the hospital and is doing very well but the doctor says we will need to stay in town a few days longer than we counted on. My husband handles all of the business, I just write checks on our bank account at home. I don't want to bother him, but I need to know how to get money from our bank—whether you people write them, or whether I do, or just what." About then the victim said, "Lady, we will be glad to cash a check for you."

Don't Be So Concerned with Losing a Single Sale That You Lose the Profit on Many Sales

Obviously a businessman is in business to make money and to do this he has to sell his product. As a result, all too often the businessman becomes so intent on making the sale that he forgets that a risk may be involved. One bad check can wipe out the profit from many sales, so take time to apply these rules, to look over the situation. If you are willing to take a chance, at least know what your chances are and then try to keep your loss at a minimum. Retail sales are more competitive than they have ever been, so as a result in many businesses the margin of profit is so low you have to do a lot of business to replace fifty or a hundred dollars lost to a thief, or for that matter, even ten or fifteen dollars lost.

Don't Use Law Enforcement Agencies to Collect Your Checks

This practice is basically illegal and is certainly immoral. In addition, it is the best way in the world to give aid and comfort to check writers. No one is certain of the figures but most police officers believe that for every time a check writer is taken to court, there are five or ten cases where he was not prosecuted. The usual pattern is that an indignant merchant comes storming into the police department and demands that

the officers drop everything and catch the scoundrel who swindled him out of twenty dollars. He swears that prison is too good for the criminal and that he would be in favor of hanging. The next step is that just about as the police close in on the check writer, he, or a friend, goes to the aggrieved businessman and pays back the check. The victim then feels that it is no longer in his heart to persecute the poor unfortunate and several days of police effort are down the drain while the check writer moves on to a new town and new victims. Don't accept even partial payment of the check, but notify the police as to what happened and cooperate fully.



Don't use law enforcement agencies to collect your checks.

No group of people preying on society are as persistent as check writers. They are caught and they do go to jail or prison time after time, but the ratio of convictions to offenses is very low and in many cases the reason is unwillingness to prosecute on the part of the victim. There are many reasons why check writers make a career out of this particular crime. In the first place, as sociopaths, they do not learn from experience. While they tell the parole board in a most convincing way that they are completely rehabilitated, the day they get out they often write a check to replace the suit of clothes furnished by the prison. Then, too, there are definite advantages to check writing if you set out

upon a criminal career. It is clean, pleasant, daytime work. While a burglar often has to crawl through dirty basements, work hard in hammering a safe open and almost always work at night, the check writer can make at least as much simply writing for a few seconds and then talking to a generous employee or merchant who will give him cash for a worthless piece of paper. In addition, no physical risk is involved; the worst that can happen is that the check writer slips on a polished floor while a burglar may fall off of the roof or a hold-up man may be shot by an indignant victim or the police.

A FINAL WORD

Most businesses receive many, many checks each day. As a result, OK'ing checks get to be routine. The check is given a casual glance, identification even less attention and one more check goes in the cash register. If you don't believe this, watch it happen the next time you are in line at a busy supermarket or discount store.

Try to remember that this check is exactly equal to so much money. It isn't just a piece of paper with a little writing on it. If it is no good, the loss is exactly like an equal amount was stolen from the cash register.



A check is exactly equal to so much money.

Here is a summary of the rules for avoiding bad checks. Remember them and apply them. You will still get some bad checks, but not nearly as many.

Do

LOOK AT THE CHECK, NOT JUST THE AMOUNT.

1. Is it a check or a receipt or payroll statement?
2. Does the endorsement agree with the payee?
3. Has it been raised or tampered with?
4. Does the signature look like the signature on identification?
5. Does it just "look right"?

LOOK AT THE PERSON.

1. Does he match the description on his identification?
2. Does he fit in with the check or is he a sixteen-year-old cashing an old-age pension check?
3. Could you describe him later if the check is false?

IF IT IS A PERSONAL CHECK, SEE IT WRITTEN.

1. Does the writing look like the signature on identification?
2. Does the person seem to be having a problem in writing it?

ACCEPT ONLY PERSONALIZED CHECKS.

1. This won't result in complete protection, but does make it harder for the bad check artist.
2. Does the spelling of the name as written agree with the printed name? (A check writer won't have any trouble with Smith, but what about Zilkowski?)

ACCEPT CHECKS ONLY FOR THE AMOUNT OF PURCHASE.

This won't stop losses, but at least it will reduce them and keep you from handing out free money.

IF A PURCHASE IS MADE WITH A CHECK, NOTE THIS ON THE SALES SLIP.

This prevents getting cash for a bad check by returning the merchandise for a refund.

ASK FOR TWO OR MORE FORMS OF IDENTIFICATION.

1. No identification is positive and a good check writer has excellent "identification," but it will stop some amateurs.
2. If you are suspicious, ask for some additional identification. The check writer may obviously have more identification in his billfold, but not want to show it to you.

BE SUSPICIOUS OF PEOPLE AND CHECKS FROM OUT OF TOWN

It is a lot harder to tell who they are or if the check is good.

DON'T ASSUME YOU KNOW THE PERSON

A good check passer can make you believe you grew up together—did you?



Accept checks only for the amount of purchase.

IF YOU ARE SUSPICIOUS, DON'T CASH THE CHECK, BUT AT LEAST GET AN AUTO LICENSE NUMBER

This will give the police some assistance, and for some types of businesses, such as filling stations, it is a good practice to do this routinely.

KEEP UP TO DATE ON THE BAD CHECK SCHEMES IN YOUR AREA.

Check writers often use the same plan time after time and you may recognize it.

INFORM THE POLICE AS SOON AS YOU EVEN SUSPECT A CHECK IS BAD.

This will not only give the police a better chance but may prevent other businesses from being victimized.

DEPOSIT CHECKS PROMPTLY AND KEEP A REGISTER OF CHECKS.

This is not only a good business practice, but can save you time and trouble if checks are lost, stolen or the account closed a few days later.

BE DOUBLY CAUTIOUS WHEN THE BANKS ARE CLOSED.

Check writers like to work at times when you can't check with the bank.

Don'ts

DON'T BE AFRAID TO STALL.

1. Many check writers want to rush you so that you will become careless.

2. On the other hand, if you stall a little, you turn the tables and *they* become nervous.

DON'T ASSUME YOU KNOW THE PERSON.

They are expert in making you believe you do.

DON'T WORRY IF THEY BECOME ANGRY.

An unknown person shouldn't expect you to hand over your merchandise without question, so if someone becomes highly indignant, it is usually a part of a check writer's scheme, to embarrass or confuse you and maybe then cash his check.

DON'T BE IMPRESSED BY NICE CLOTHES AND A PROSPEROUS APPEARANCE.

1. Anyone could look good if he got his clothes free.
2. Check writers are good actors; they are expert in their parts.

DON'T ACCEPT CHECKS FROM PEOPLE WHO APPEAR DRUNK, SENILE OR CONFUSED.

This will be nothing but trouble you don't need.

DON'T ACCEPT TWO-PARTY CHECKS.

1. It is most difficult to prosecute in these cases.
2. A two-party check is rarely for the amount of purchase, so you usually give them change too.

DON'T ACCEPT POST-DATED CHECKS.

These are just a poor form of promissory note that is hard to collect.

DON'T BE TAKEN IN BY HARD LUCK STORIES.

Check writers know that most people are sympathetic and willing to help. With a well dramatized hard luck story, often supported by a crying baby or a pitiful wife, they will get their checks cashed.

DON'T OFFER TO CASH A CHECK.

Some of the cleverest plans are based on *not* asking to have the check cashed but getting the victim to offer to cash it. Remember, these plans change constantly and there are many, many more than the few examples given.

DON'T BE SO CONCERNED WITH LOSING A SINGLE SALE THAT YOU LOSE THE PROFIT FROM MANY.

Of course you want to make the sale, but weigh the odds, for you may have a losing transaction.

DON'T USE LAW ENFORCEMENT AGENCIES TO COLLECT YOUR CHECKS.

One major reason that there are so many losses to bad checks is that the offender is not prosecuted in many cases. He pays off the bad check he was arrested for and then goes free to write still more. It is nice to get your money back, but in the long run it is a losing proposition.

What to Do When You Get a Bad Check

Please note that the title of this section says “*when* you get a bad check,” not “*if* you get a bad check.” Even though you follow all of the rules you will still get some checks that are a total loss. At best you will get “no account” or “insufficient funds” checks that will take time and effort to collect.

The first thing to do when you suspect you have a bum check is to notify a law enforcement agency. This may be the police, the sheriff or the county attorney, depending on your local situation. Don't delay doing this, for the sooner they can act, the greater the chances of solving the case and getting your money back. Prompt notification is doubly important if you believe the check passer is from out of town or on the move and especially if the check is for a large amount. Your prompt action may prevent other businessmen from being victimized.

Don't even wait to call the bank. For one thing, some banks will only tell you that a person by that name has or does not have an account. They have a good reason for limiting the amount of information they give you. For example, it is an old trick to open up an account with a hundred dollars and get a personalized checkbook, then write four, five or six hundred dollars' worth of bad checks in rapid succession. If you were the first to call the bank, they could tell you that there was enough money in the account to cover the check. But how would you feel if you were one of the last to present your check for payment and find the money was long gone? In a way the bank would be guaranteeing payment if they told you there was enough money in the account, and of course they can't safely do this.

In any case, even though you know the check is no good, it should be sent promptly through the bank so that unpleasant bit of paper can be stapled to it, telling you something you would rather not know. This becomes important evidence.

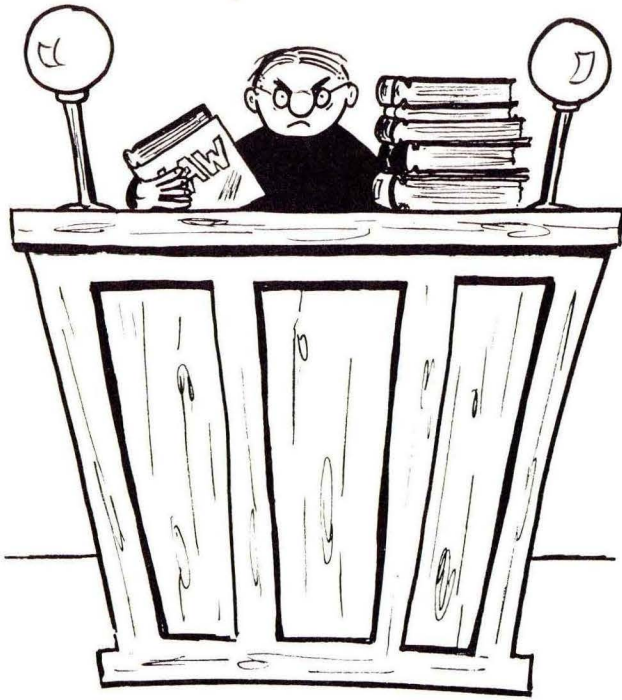
The Law on Bad Checks

The law on bad checks sounds fairly simple but is

actually relatively complex, so the county attorney should be depended upon to interpret it. The Iowa law is in two sections. The first is specifically written to cover bad checks and can, under the proper circumstances, be used in most prosecutions. The second section covers forgeries and can be used in a certain number of check cases where section 713 is not applicable. Here is the current Iowa law (1973).

“713.3 False drawing or uttering of checks. Any persons who with fraudulent intent shall make, utter, draw, deliver, or give any check, draft, or written order upon any bank, person, or corporation and who secures money, credit, or thing of value therefor, and who knowingly shall not have an arrangement, understanding, or funds with such bank, person, or corporation sufficient to meet or pay the same, shall be guilty of a felony, if such check, draft, or written order shall be for the sum of twenty dollars or more, and shall on conviction thereof be punished as in section 713.1; and if such check, draft, or written order be for less than twenty dollars, such person shall be guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine of not to exceed one hundred dollars or by imprisonment in the county jail not to exceed thirty days; provided, however, that if such person has been three times convicted of such offense, he shall on the fourth and all subsequent convictions, be sentenced to the county jail or penitentiary at the discretion of the court, for a period of not to exceed one year. [C24, 27, 31, 35, 39, §13047; C46, 50, 54, 58, 62, 66, 71, §713.3]”

“713.4 False drawing or uttering of checks. As against the maker or drawer of a check, draft, or written order, payment of which is refused by the drawee because of insufficient funds of the maker or drawer or because the maker or drawer has no account with the drawee, the fact that payment of such check, draft, or written order has been refused by the drawee shall be prima-facie evidence of intent to defraud and of knowingly not having an arrangement, understanding, or funds with such bank, person, or corporation sufficient to meet or pay the check, draft, or written order, provided such maker or drawer shall not have paid the holder thereof the amount due thereon within ten days after receiving written notice by certified mail or notice in the manner of serving an original notice that such check, draft, or written order has not been paid by the drawee. [C24, 27, 31, 35, 39, §13048; C46, 50, 54, 58, 62, 66, 71, §713.4]”



*The law on bad checks is actually relatively complex.
The county attorney should be depended upon to
interpret it.*

In some cases another section of the code will be used:

“718.1 Forgery. If any person, with intent to defraud, falsely make, alter, forge, or counterfeit any:

1. . . .
2. . . .
3. . . .
4. . . .
5. . . .

6. Order, acquittance, discharge, or accountable receipt for money or other valuable thing; or

7. . . .
8. . . .

9. Instrument in writing, being, or purporting to be, the act of another, by which any pecuniary demand or obligation, or any right or interest in or to any property whatever, is or purports to be created, increased, transferred, conveyed, discharged, or diminished—he shall be imprisoned in the penitentiary not more than ten years or imprisoned in the county jail not exceeding one year, or fined not exceeding one thousand dollars. [C51, §2626; R60, §4253; C73, §3917; C97, §4853; S13, §4853; C24, 27, 31, 35, 39, §13139; C46, 50, 54, 58, 62, 66, 71, §718.1]”

“718.2 Uttering forged instrument. If any person utter and publish as true any record, process, certificate, deed, will, or any other instrument of writing mentioned in section 718.1, knowing the same to be false, altered, forged, or counterfeited, with intent to defraud, he shall be imprisoned in the penitentiary not more than ten years, or imprisoned in the county jail not exceeding one year, or fined not exceeding one thousand dollars. [C51, §2627; R60, §4254; C73, §3918; C97, §4854; C24, 27, 31, 35, 39, §13140; C46, 50, 54, 58, 62, 66, 71, §718.2]”

A few of the terms should be defined:

“Drawing” is writing the check. The person who signs it is still the drawer even if you forget the rule and write out the rest of the check for him.

“Uttering” is the presentation of the check as being good. This can be accomplished by words or actions. Uttering is completed when the check is presented. However, under the specific check law (sections 713.3 and 713.4) the crime does not occur until something of value is received in return. Under sections 718.1 and 718.2, the law on forgery, uttering a forged instrument with the intent to defraud is sufficient to complete the crime and nothing of value need be secured.

The elements that make up the crime of false uttering are:

1. Fraudulent intent.
2. Securing something of value.
3. Knowingly not having an arrangement with the bank or funds in the bank to meet the check.
4. Recipient must be defrauded to some amount.

These are somewhat technical decisions and the county attorney is the person to decide the proper charge, for the facts in each case vary.



*The crime does not occur until something of value is
received in return.*

The requirement that a thing of value be received or be intended to be received brings up an interesting and often confusing point. Suppose a man comes in and pays his last month’s grocery bill with a check

that will later be returned as "No Account." Is he guilty of a crime? No. He didn't receive anything of value for he had previously received the groceries and all he got for his bad check was an equally worthless receipt.

Suppose though that he bought a pack of cigarettes or a loaf of bread and gave you a check for both the bill and the new purchase. Now he is guilty, for he did receive something of value for the check. Not only that, but he can be charged on the basis of the amount of the check, not just the amount of the price of the cigarettes or bread. This is an important point, for a check under twenty dollars is a minor crime, a misdemeanor, while a check over twenty dollars can result in a prison sentence.

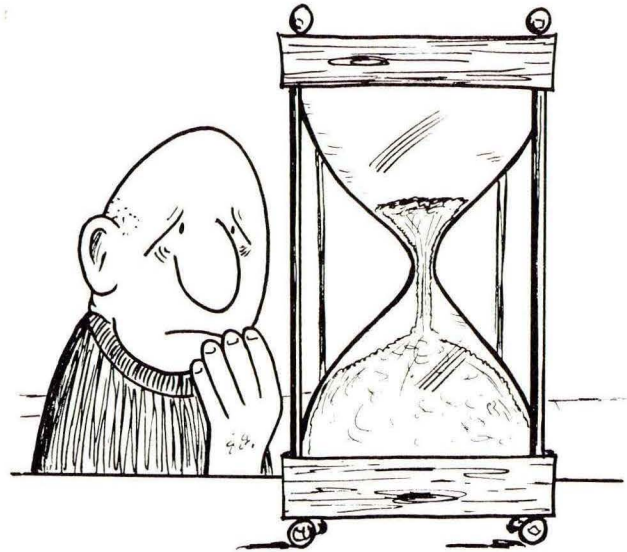
"The Ten Day Rule"

One point in the law on bad checks should be clarified. This is the "ten day" rule and it provides for a notice of ten days to a person giving a "no account" or "insufficient funds" check. This section of the law has caused confusion as it has been commonly interpreted to *require* such a notice before prosecution can commence. This is not the correct interpretation.

In 1969 the Iowa legislature amended section 713.4 by adding ". . . provided such maker or drawer shall not have paid the holder thereof the amount due thereon within ten days after receiving written notice by certified mail or notice in the manner of serving an original notice that such check, draft or written order has not been paid by the drawee." This addition has been somewhat misinterpreted. It does not change the crime, for it was added only for evidentiary purposes. It allows a somewhat easier way to prove the case of making failure to pay in ten days prima-facie evidence of intent. Some people have interpreted this ten day addition to the law as requiring that you send a letter to all persons who have given you "insufficient funds" or "no account" checks.

The Iowa Supreme Court has spoken clearly on this point in December of 1972 in the case of *State v. Mason* 203 NW2d 292. The Court said "Defendant's position that every maker or drawer of a worthless check should be accorded ten days to make it good is untenable."

However, even though it need not be done, in many cases it is still a good practice to send notice by certified mail informing the person giving you the check that payment has been refused. Very often he will come in and pay. If he fails to, you have good additional proof. Judgment and the advice of the county attorney should be used here. Many county attorneys have a special form for this purpose that they will give you.



The ten day rule provides for a notice of ten days to a person giving a no account or insufficient funds check.

Fraudulent Intent

There is an interesting case that applies here and illustrates an important point. The case is *State v. Johnson* 196 NW2d 563 (1972). A young man was in the habit of writing bad checks. As often happens, his father also developed the habit of making these checks good. In this case the son gave a pool hall a "no account" check as he had many times in the past, but this time the pool hall went ahead and filed a charge. As usual the father paid off the check. While the Supreme Court did not speak directly on this point, the Court did point out that the fact that on several occasions previously the father had made good on checks cashed by the pool hall and that it was probably assumed that he would pick up this check. As a result, intent to defraud would be hard to prove.

Forgeries

Most bad checks are "insufficient funds" or "no account." Relatively few are true forgeries or altered checks, but these do occur. When they do, the charge is usually under Chapter 718, Forgery and Counterfeiting. The proper charge to place is a decision for the county attorney. Usually forged checks are for large amounts. Fraudulent payroll checks are the most common in this group and usually a number of them will appear in a relatively short time. Generally they are stolen blank payroll checks, and this may be the work



It is still a good practice to send notices of refused payment by certified mail.

of local people. On the other hand, some widely traveled check writers have their own printing presses and turn the check forms out in quantities.

Cooperate with Law Enforcement

As was said earlier, if you start a prosecution, stay with it. Don't try to use the police, the sheriff or the county attorney as a collection agency. Too many people, all excited, bring in a bad check and want immediate results. They give the impression that hanging would be too good for the criminal who gave them that check. Then all too often they cool down rapidly, but only after someone has paid off the check. This is why most law enforcement officers don't treat your stack of bad checks with much enthusiasm.

Restitution

What about restitution? Shouldn't you get your money back? Of course you should. Restitution is not a defense to the criminal charge; you can still prosecute. However, once you have turned a check over to a law enforcement agency, do not accept restitution without talking to them first. If prosecution has been started, be sure to talk to the county attorney before you accept any sort of restitution or make any sort of promise.

As pointed out at the start, bad checks are a major source of loss to the businessman. They will continue



If you start prosecution, stay with it.

to be as long as these cheats can buy their way out by simply giving you your money back when they do get caught. In addition, if you do accept restitution on the basis that you will not prosecute or testify, you are very close to being guilty of compounding a crime.

In summary, as soon as you think you have a bad check, report it to the police, the sheriff, or the county attorney, then cooperate fully with them.

