7 Tips to Successful Check Cashing

***Now that you've started cashing checks
here is what you need to know to ensure success***

**Use the following best practices to help make your check cashing
business successful.**

Offering check cashing services has challenges and some risks associated with it; but with the proper tools and guidance you can ensure a successful check cashing endeavor and ultimately grow your volumes and increase profits.

1. Check Cashing Policies

One of the most important things you need to do is to clearly define your store's check cashing policies, so that personnel follow the best practices. The policies should be communicated to your store staff and where possible be part of your check cashing software solution.

Use Velocity to enforce policies like:
- How many checks you'll accept from new customers within a given time period (1 day, 1 week, 1 month)
- How many checks you'll accept from new makers (e.g check issuers) within a given time period
- What the maximum dollar amount you will accept from an individual or a check maker
- How old a check you'll accept (e.g. do not cash checks older than 21 days past date)
- Minimum check number accepted (e.g. #300).

Other considerations:
- What is the risk by check type
  - Business / Payroll - medium
  - Government - low
  - Money Orders - low
  - Personal - high
  - Handwritten - high
  - We recommend against accepting either Personal or Handwritten checks
- What forms of ID is required for check cashing should you allow?
  - Driver's license
  - Passport
  - Military ID
  - Foreign consular cards (e.g. Matricular)

> **What is Velocity?**
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> Velocity is the ability to track, over a specific period of time, the number of checks received and the dollar amount of those checks within an organization on a specific maker, or an individual check casher.
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> Without velocity, retailers are vulnerable to fraud. Checks are often cashed with consideration only given to the dollar amount on each specific check; however when checks cashed by one individual are added together it can account for a significant dollar volume and fraud exposure.
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> While many services notify you if a particular check is associated with the same maker as a returned check; it is often several days or weeks before a notice of any returns is provided by the bank. Fraudsters take advantage of this and continue to cash checks before the first check is returned – leaving you exposed to losses.

- How will you confirm employment? We strongly recommend calling employers you've never seen before to verify maker validity and an individual's employment. Use a phone book or an online directory to find the company's phone number. DO NOT RELY ON THE NUMBER PRINTED ON THE CHECK.
- When is it acceptable for store personnel to override policies? What is the best procedure to follow in these circumstances?

The Paycheck Secure system allows you to store retain and reference critical customer identity information (contact info; photo; image of driver's license), including fingerprints; as well to manage your store policies and velocity settings within the software. This empowers your clerks with the confidence of knowing how to handle various check cashing situations, while minimizing your check cashing approval process and improving transaction times).

The Customer Notes field allows you to add any specific notes about a customer and/or maker, such as the details associated with employment verification.

2. Banking Relationship and Government Compliance

As a check casher, maintaining a positive relationship with your bank is critical. Many banks have discontinued service to businesses providing check cashing and other alternate financial services due to risk concerns. Banks have also imposed strict requirements that money service businesses comply with the federal government Bank Secrecy Act (BSA) and Patriot Act requirements.

While these new Acts expand the authority of U.S. law enforcement to better fight terrorism, they create an additional burden on Money Service Businesses (MSBs).

Developing your own compliance program can be time consuming and challenging. AllTrust and the Paycheck Secure check cashing system can help you implement a comprehensive BSA compliance program. Ultimately ensuring you can maintain a banking relationship and keep your business running smoothly.

The Paycheck Secure software includes the following built-in features to minimize your compliance burden:
- Automatic SDN OFAC list check - software checks the payee and maker of the check against the Office of Foreign Asset Control (OFAC) list.
- Submit reports automatically - Currency Transaction Reports (CTR) and Suspicious Activity Reports (SAR) are submitted electronically to government directly from desktop.
- Auto populates electronic forms with consumer data.
- Archives data - CTR / SAR reports are archived for 5 years.
- State specific reporting requirements also included (e.g. CA Franchise Tax Board).

In addition we can help you develop a complete Anti Money Laundering (AML) program for your store.

For more information about licensing requirements in your state and FinCEN / federal government requirements (e.g. Bank Secrecy & US Patriot Acts as a result of 9/11) visit your state government website, as well as http://www.fincen.gov.

3. Return Check Handling

Despite your best efforts and a good quality check cashing software solution, there is the potential for returned checks. It might be a one time case of insufficient funds (i.e. NSF) or could be an actual fraudulent check; that is new and hasn't been encountered before.

Types of returned checks can include:
- **NSF** - Non-Sufficient Funds; the maker did not have enough money in the account to cover the amount of the check ('bounced check').
- **Stop Payment** – The maker stopped the bank from making a payment on the check.
- **Account Closed** – The account that the check was drawn on was closed prior to cashing.
- **Fraud** – The check cashed was stolen or a fake.
- **Other** – The check was returned for other reasons.

Using a shared negative data system allows you to mark these transactions as 'bad' ensuring your store doesn't accept another one, and helping the entire network. Also, having some recourse is always ideal when trying to recover funds. With the Paycheck Secure system you are able to share your returned check experiences amongst a community of over 2000 retailers across the United States, and print a complete returned check report to provide law enforcement.

AllTrust's returned check reports have been invaluable for other clients when dealing with the process of fund recovery. Below is a sample report which includes:

- Contact details on the customer - picture, image of the driver's license, fingerprint images
- Copy of the check in question with signature and return reason

4. Employee Education and Compliance

Educating your employees on how to recognize potential fraud is extremely important; they are interfacing regularly with your customers so you want them to be able to easily distinguish between good customers and suspect ones. They need to be aware of what to look for in a check; as well as to follow your store's check cashing policy. Read AllTrust's white paper on 10 Tips on How to Avoid Check Fraud, and check out the attached *US Treasury Security Features* document, which highlights the security features of US government checks.

In addition when large sums of money are involved, it's necessary to keep tabs on what your employees are doing. Any check cashing software you install should also be able to track your clerks' transaction activity. The Paycheck Secure software offers clerk compliance tools that allow you to set up parameters based on your check cashing policies and have them emailed to you when an infraction occurs. This enables you to track your employees' check cashing performance without standing over their shoulders – empowering you to better run your business.

5. Shared Network of Negative Data

As a retailer new to check cashing, access to historical check cashing data is crucial in your first few months. While you are learning the business, you need a way to easily identify known fraudsters prior to cashing their check. It's best to select a software solution that offers access to a national network of bad check cashing data.

The Paycheck Secure solution interfaces with the AllTrust network of negative check data – with more than 6 million enrolled consumers and data on over 3 million check makers, it's a proven means of minimizing check fraud. You have access to all the negative information from over 2000 retailers across the country using the Paycheck Secure system.

Each time a retailer synchronizes their system with the AllTrust network, the negative data is shared and accessible. That means when someone passes a bad check in Walla Walla or a Paycheck Secure retailer 1 mile from you; you have that information should that individual come to your store, and attempt to pass another bad check.

6. Ancillary Services to Consider

People who are cashing checks are often in need of other financial services. Make your store a destination - one-stop shopping. If you aren't already doing so, you might want to consider adding other financial services; including:

Bill Payment
Your customers can pay their utility bills, as well as wireless, satellite TV and department store bills at your store. There's minimal up front costs and your store benefits from great commissions.

Prepaid Cards
With a Reloadable MasterCard program, you can virtually eliminate the need for cash-on-hand when you offer a network branded prepaid card. The value from your customers check cashing transaction is loaded directly onto a prepaid card, in-part or in-full. Your customers can then withdraw the funds at an ATM or use the card anywhere Visa® or MasterCard® debit cards are accepted. With no credit check it's a great way for your customers to manage their money.

Money Transfer

Industry analysts, Aite Group estimate that the money transfer industry will generate about US$18.3 billion in revenues, up from US$12.9 billion in 2004. This is a huge industry; and it's a great service to offer at your store. With low to no start up costs, you benefit from ongoing revenue stream; and your customers can do all their financial transactions in one place – improving store loyalty.

7. Electronic Deposits

One other consideration is cash flow. The longer it takes for your check cashing deposits to clear and become available, the more cash it is necessary to keep at the store location. To improve deposit and clearing times, you should consider Electronic Deposits.

Electronic Deposits (also known as Check 21) is a way to deposit and settle your check cashing transactions electronically. In the check cashing world as the saying goes "Cash is King". You need to have ready access to it; and you want to deposit your checks as quickly as you can. With Electronic Deposits, you can then deposit your checks whenever you choose, straight from your store. This service offers you faster access to funds (next-day funding options available), and faster reporting on potential fraudulent items.

Here's how Electronic Deposits works:
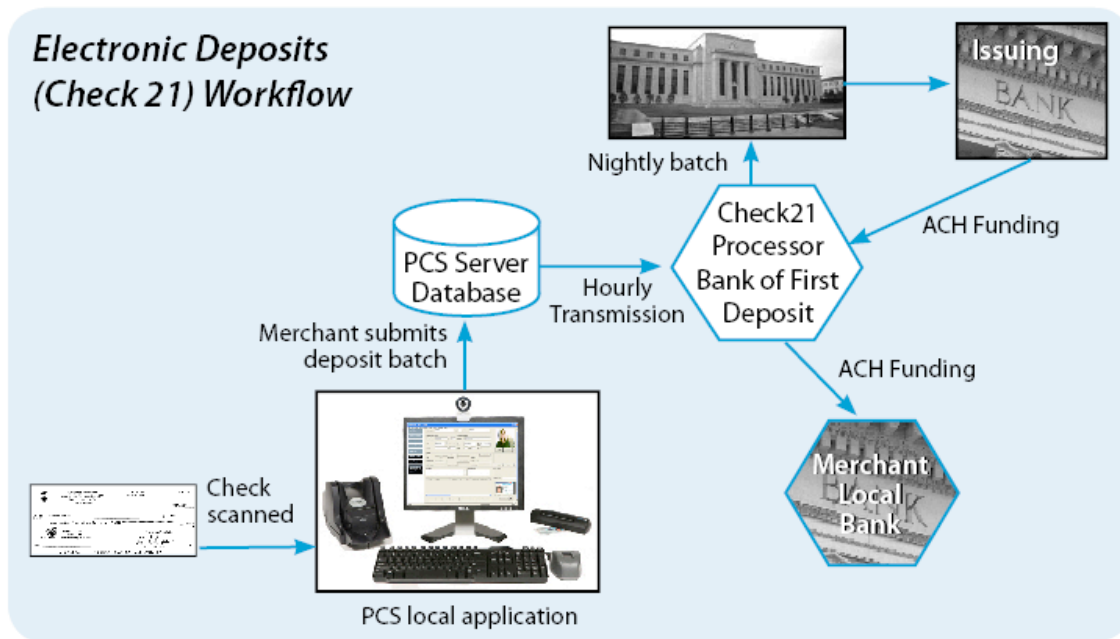
Conclusion

While there are certainly risks with check cashing, there is a lot of profit potential. Follow the tips outlined above to get off on the right foot.

- Ensure you establish and enforce a good check cashing policy for your store.
- Maintain a positive relationship with your bank
- Comply with mandated federal regulations
- Educate employees and where possible empower them with tools to better make informed decisions
- Effectively manage returned check handling
- Join a network of check cashers to share negative data
- Investigate other financial services to provide your customers with one-stop financial services store
- Read AllTrust's white paper "*10 Tips on How To Avoid Check Fraud*" for more on fraud prevention techniques.

Taking the time now to establish good check cashing practices and using a software solution to its fullest capability will serve you well in operating a successful and profitable check cashing business.

Additional Resources:
Financial Crimes Enforcement Network (www.fincen.gov)
Financial Service Centers of America (www.fisca.org)
AllTrust Networks (www.alltrustnetworks.com)