SCR-17 — Check Overpayment & Fake Deposit Refund Scam Guide

A Complete Handbook and Web Resource for Independent Landlords, Property Managers, and Housing Providers

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Author: Mark Druckmiller, REALTOR®, Real Estate One (Saline / Washtenaw County, Michigan)

Landlord Financial Defense: Understanding Regulation CC, Counterfeit Cashier's Checks, and the Deposit Refund Trap

Executive Summary: The "Available Balance" Illusion

The check overpayment scam is one of the oldest financial fraud schemes in existence, yet it continues to drain thousands of dollars from independent landlords, duplex owners, and small property managers every single week.

The scam preys on a fundamental misunderstanding of federal banking law: the difference between "funds available" and "funds cleared."

The scam unfolds in four steps:

1. **The Prospective Tenant Inquiry:** An out-of-state applicant contacts an independent landlord who has advertised a vacant rental on Zillow, Craigslist, or Facebook. The applicant explains that their corporate employer is relocating them for a new job or clinical fellowship. They eagerly accept the lease terms sight unseen.
2. **The "Accidental" Overpayment:** The landlord receives an official-looking corporate cashier's check or bank draft in the mail via priority courier. However, instead of the required $2,200 deposit, the check is made out for **$6,800**.
3. **The Urgent Refund Request:** The applicant contacts the landlord in a polite panic: *"My corporate HR department accidentally combined my first month's rent with my company moving/logistics allowance on a single check! Please deposit the check into your bank account, keep the $2,200 for your rent and deposit, and kindly wire the remaining $4,600 to our moving company so they can dispatch my furniture."*
4. **The Bank Clawback:** The landlord deposits the check. Within 24 to 48 hours, the landlord logs into their bank account and sees that their "Available Balance" has increased by $6,800. Believing the funds are safe,

the landlord wires the $4,600 difference to the "movers" via Zelle, Cash App, or bank wire. Ten to fourteen days later, the counterfeit check is flagged by the clearinghouse and bounces. The bank immediately **claws back the full $6,800 from the landlord's account**, leaving the landlord with a negative balance, lost funds, and potential bank fraud investigations.

This handbook outlines the mechanics of the Expedited Funds Availability Act, how to spot counterfeit cashier's checks, and safe financial intake policies.

Section 1: The Banking Mechanics Behind the Scam

Why does your bank show money in your account if the check is fake?

1. **The Expedited Funds Availability Act (Regulation CC):**
    - Under federal banking law (12 C.F.R. Part 229 / Regulation CC), commercial banks are legally mandated to make funds from deposited cashier's checks, certified checks, and government checks available to account holders within **one to two business days**.
    - **Crucial Distinction:** Making funds "available" is a statutory consumer requirement; **it does not mean the check has physically cleared**.
2. **The 14-Day Clearinghouse Lag:**
    - When you deposit an out-of-state check, it must travel through the Federal Reserve clearinghouse or private clearing networks to the issuing bank.
    - High-quality counterfeit cashier's checks are manufactured using real bank routing numbers and stolen legitimate corporate account numbers. It can take **7 to 21 business days** for the true account holder or the issuing bank to flag the instrument as counterfeit.
3. **The Depositor Bears 100% Financial Liability:**
    - Under your bank's deposit account agreement, **you are legally responsible for all checks you deposit into your account**.
    - When a counterfeit check bounces, the bank reverses the credit entirely. If you have already wired money out, that cash came out of your own personal funds.

Section 2: The 5 Red Flags of a Check Overpayment Scam

Watch for these warning signs during initial rental deposit transactions:

Red Flag	Scam Profile	Legitimate Rental Transaction
1. Unprompted Overpayment	Check received exceeds the contracted deposit by thousands of dollars.	Payment strictly matches the exact invoiced move-in balance.
2. Urgent Third-Party Refund	Instructs you to wire the difference to a "moving company" or "shipping agent."	Landlords never act as pass-through financial conduits for third-party vendors.
3. High-Pressure Timeline	Claims movers cannot load furniture until you wire the refund today.	Professional moving companies invoice clients directly; no rush on landlord.

Red Flag	Scam Profile	Legitimate Rental Transaction
4. Sight-Unseen Acceptance	Eagerly agrees to lease terms and sends large checks without touring or asking questions.	Legitimate tenants ask detailed questions about utilities, neighborhood, and lease terms.
5. Irreversible Refund Methods	Demands refund via wire transfer, Zelle, Cash App, or cryptocurrency.	Any legitimate refund is processed through original accounting channels after clearance.

Section 3: Safe Landlord Financial Intake Rules

Protect your bank account by instituting these four non-negotiable financial rules:

Rule 1: Never Accept Checks Exceeding the Invoiced Amount

- Adopt a strict written policy: *"Any check or bank draft received that exceeds the exact invoiced amount will not be deposited and will be returned to the sender immediately."*
- If an applicant sends a $6,000 check for a $2,000 deposit, do not deposit it. Void the check and require them to issue a new instrument for the exact amount.

Rule 2: Enforce a 21-Day Hold on Any Out-of-State Check Refunds

- If you ever agree to refund an overpayment or canceled deposit, never disburse funds until **21 business days** have elapsed since deposit.
- Do not rely on mobile app balances. Call the branch manager of the issuing bank directly (using a phone number looked up independently, not the phone number printed on the check) to verify that the check was paid against collected funds.

Rule 3: Mandate Electronic ACH Payments via Property Management Software

- Transition all tenant intake payments to verified electronic property management platforms (e.g., Buildium, AppFolio, TurboTenant, Zillow Rental Manager).
- Electronic ACH bank debits through verified merchant processors eliminate paper check forgery risks.

Rule 4: Never Pay Third-Party Vendors on Behalf of Tenants

- You are a housing provider, not a payroll or logistics clearinghouse. Never agree to pay an applicant’s movers, storage facilities, or travel agents under any circumstances.

Section 4: Emergency Response Protocol — If You've Deposited a Fake Check

If you suspect you deposited a counterfeit check or sent a refund:

1. **Call Your Bank’s Fraud Unit Immediately:** Inform your bank that you believe you deposited a counterfeit instrument *before* the check bounces. Proactively reporting fraud prevents the bank from freezing your entire account or flagging you as a suspicious actor.

2. **Request an Immediate Wire Recall:** If you wired money to the "movers," contact your bank's wire department within 24 hours to request an emergency SWIFT recall.
3. **File a U.S. Postal Inspection Service Complaint:** Because the counterfeit check was delivered via mail or commercial courier, it constitutes federal mail fraud. File a report at **uspis.gov**.
4. **File Local and Federal Cybercrime Reports:**
    - Local Police Department: Obtain an official police report.
    - Federal Trade Commission: **reportfraud.ftc.gov**
    - FBI Internet Crime Complaint Center: **ic3.gov**

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