

## Payment Types

There are many ways to remove money from a bank account – everything from cash withdrawals to payments using digital wallets. This section discusses payment methods and how each method can appear on the bank statements, be used in financial exploitation, and be identified with common red flags.

Each bank has its own way for reporting transaction on its statements. The examples that are given here may not be the way it is on the statements you are reviewing. Contacting the bank is the best way to determine the meaning of an unfamiliar transaction description. Other avenues including reviewing the bank's website and an internet search.

### ATM Withdrawals

ATM machines are everywhere, and are a common way to obtain cash. To withdraw money from one, a person needs the physical ATM or debit card and the pin number. An ATM withdrawal can appear on the bank statements under a variety of names with either ATM or debit in the name. Some banks will even list the last four digits of the card used.

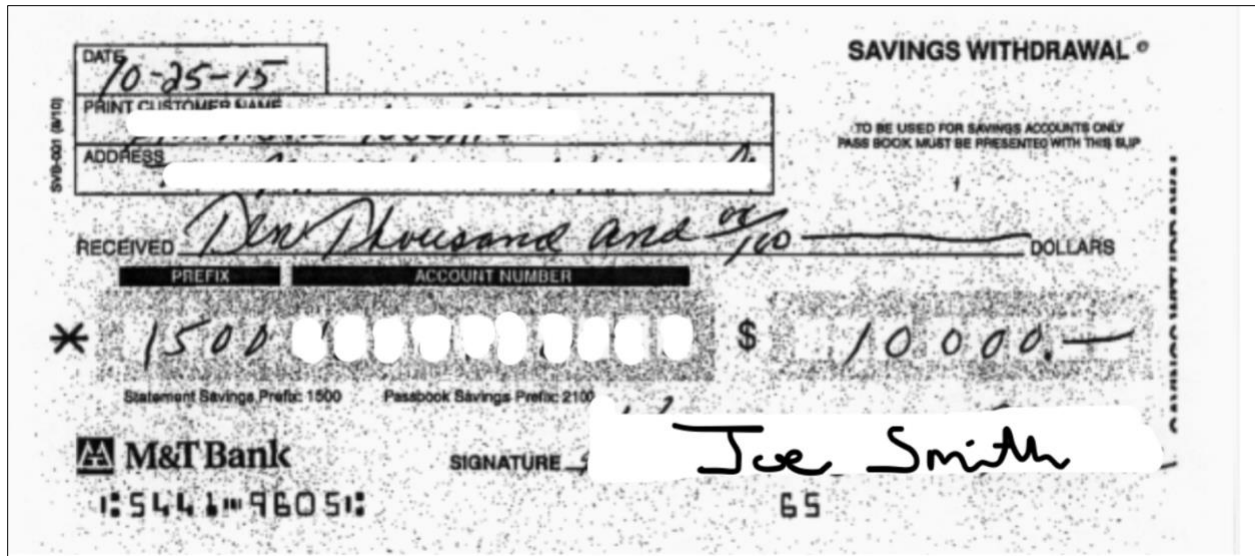
The concern is that someone is using the older adult's ATM or debit card to withdraw money for their personal use and not for the benefit of the older adult.

Red flags include:

- Use of an ATM when it was not used previously.
- Back to back ATM withdrawals. The first could be for the older adult, the second for the person making the withdrawals.
- ATM withdrawals that are inconsistent with prior usage patterns or don't make sense for the older adult such as outside the geographical area.

### Withdrawals at a Bank

Another way to withdraw money is by going to the bank and speaking with a bank teller. Most, but not all, banks require the customer to complete a withdrawal slip. The withdrawal slip typically shows the customer's name, address, amount withdrawn, the account number and the signature of the person withdrawing the money. The slip is presented to a bank teller who exchanges it for cash or possibly a cashier's check.



This is a withdrawal slip for a savings account at M&T Bank.

It is important to note the name of the person withdrawing the money and their relationship to the older adult. The concern is that the money was used to benefit someone other than the older adult.

Withdrawals made at the bank can appear under various titles such as customer withdrawal, withdrawal, or PA TLR (for a teller in Pennsylvania).

Red flags include:

- Withdrawing money from a bank teller when it was not done previously.
- An increase in the amount or frequency of the cash withdrawn from the bank.
- Cash withdrawn from a bank not previously used or located outside the older adult's geographical area.
- Cash withdrawn from previously unused accounts.
- Cash withdrawn from the bank when the older adult is hospitalized or in a facility.

## Transfers

Rather than withdrawing money, a person can transfer money from one account to another. Transfers can happen in person with a bank teller's assistance or electronically through mobile or internet banking.

**M&T Bank**  
**Customer Account Transfer**

Amount: \$10,000.00       In Branch Transfer  
 Telephone Transfer

Date: 2-25-10

Requestor's Name: \_\_\_\_\_

Transfer From Account #: 1500 1111 1111

Transfer To Account #: 1234567

PRINT \_\_\_\_\_  
SIGNATURE (If in person) \_\_\_\_\_

Authorized By: \_\_\_\_\_  
EMPLOYEE SIGNATURE

Override Authorized By: \_\_\_\_\_  
EMPLOYEE SIGNATURE

BR-1062 (9/15)

This is an example of a transfer slip given to a bank teller. Questions to answer when reviewing a transfer slip: who requested the transfer, what is their relationship to the older adult, what account was the money transferred into, and is that account is owned by the older adult?

04/08	Withdrawal Transfer	3,940.00-
04/08	To Alleged Perpetrator XXXXXXXXXXXX Share 0001	

This is an example of how a transfer can appear in a bank statement. This was a transfer from the older adult's account to the alleged perpetrator's account at the same financial institution. As you can see, this transaction was identified as "withdrawal transfer". Other descriptors include "customer withdrawal", "mobile transfer", and "online banking transfer".

Concerns with transfers include: (1) Did the money remain an asset to the older adult, (2) why was the money transferred, and (3) what happened to the funds after the transfer? For instance, an alleged perpetrator may need to move money from a savings account to a checking account to replace money that was stolen from the checking account or investment funds will be transferred into a checking account and then immediately withdrawn from the checking account for unknown reasons.

The following Red flags may be seen with improper transfers:

- Transfers to accounts not belonging to the older adult.
- Transfers to new accounts belonging to the older adult when there wasn't a need to create a new account. The alleged perpetrator may be trying to separate the older adult's assets making it easier to conceal a later theft.
- Transfers from previously dormant accounts.
- An increase in the amount or frequency of transfers.
- Transfers when there is no apparent need for the money.

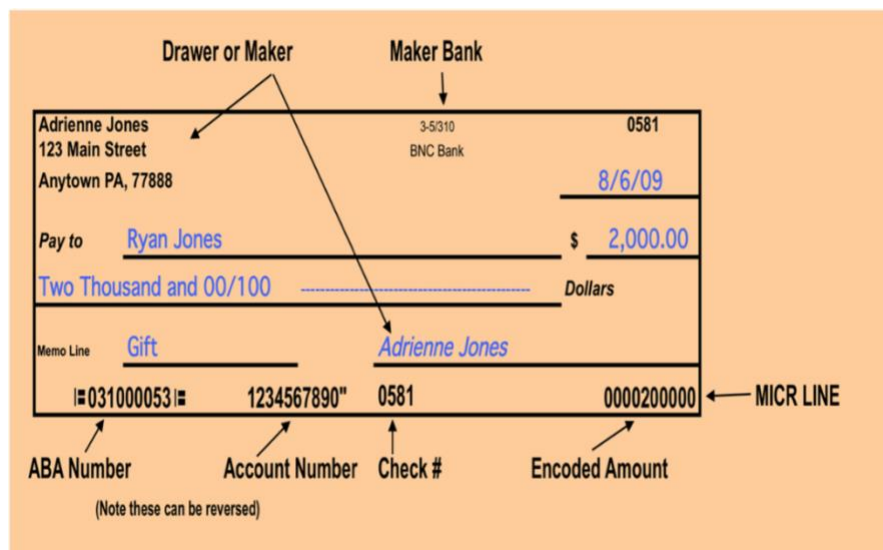
### Case Example #1

In a recent case, an 82 year old woman had appointed her son as her power-of-attorney. As the power-of-attorney, the son liquidated her investment accounts and had the proceeds electronically deposited into her checking account. The son, over a 2-year period, then withdrew \$65,000 from the checking account through ATM and cash bank withdrawals.

### Personal Checks

The two types of checks likely to be seen during financial exploitation investigations are personal checks and cashier checks. Personal checks are the checks drawn on a personal bank account. A risk of accepting a personal check is that the person writing the check may not have the funds in their account to cover the check. Cashier checks – discussed in the next section - are checks drawn on the bank's own account.

Here is an example of a personal check.



The **Payee** is the person or corporation to receive the check. In this example, the payee is Ryan Jones. The **Maker** is the person authorizing payment of the check. Adrienne Jones is the maker in this example.

The numbers along the bottom of the check is known as the MICR line.<sup>1</sup> Reading left to right, the first set of numbers is the bank's ABA or routing number.<sup>2</sup> **Routing numbers** identify the specific financial institution responsible for the payment of the check, and are always nine digits. On the front of the check, the routing number is located between the **⎓ ⎓** symbols that appear to be a combination of a bold vertical dash and a colon. The next set of numbers is the customer's **account number** on which the check is drawn. The third number is the **check number**. The routing number, account number and check number can appear in any order in the MICR line. The **encoded amount** represents the actual amount paid by the bank but it is rarely seen anymore.

In October 2004, the Check Clearing for the 21<sup>st</sup> Century Act (Check 21 Act) became effective and changed the way that checks could be processed. Prior to October 2004, checks were processed by transferring the actual paper checks between banks. The Check 21 Act allows for a digital copy of the check to be created and passed along electronically to the paying bank. If the digital information is reconverted into a paper check format, the resulting document is called a substitute check.

The **Truncating Bank** is the bank that removes the physical check from the payment process and creates the digital image (truncates). The **Reconverting Bank** is the bank that creates a paper check from the digital information. The reconverting bank may or may not be the truncating bank. The paper check created from the digital information is known as a **substitute check**. A substitute check is a legal document and can be used in the same manner as the original check.

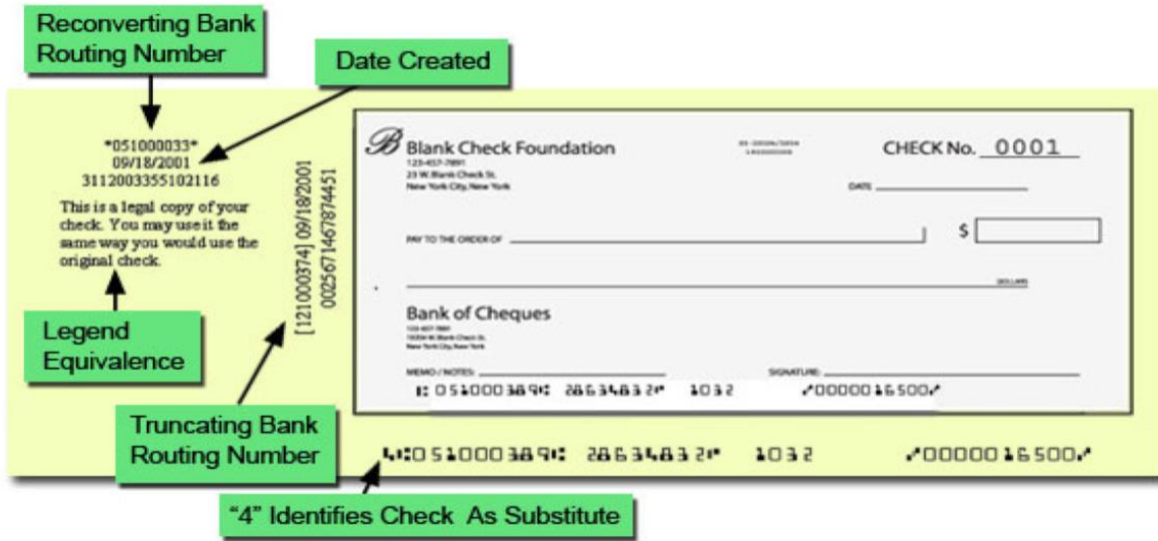
For example, my brother gave me a check where he had altered something on it and initialed the change. I deposited his check into an ATM belonging to my bank. When I deposited the check into the ATM machine, a digital image of the check was created and my bank became the truncating bank. After noticing the alteration on the check, my bank declined to accept the check for deposit, created a substitute check, and returned the substitute check to me. When my bank created the substitute check, it became the reconverting bank.

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<sup>1</sup> MICR is pronounced "Micker" (rhymes with Sticker).

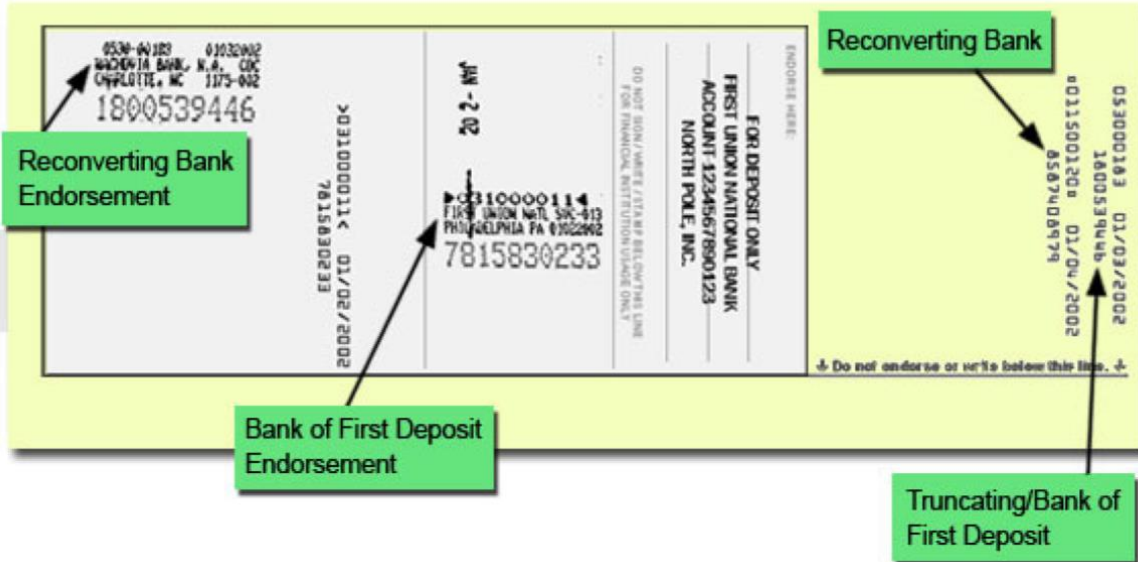
<sup>2</sup> ABA stands for the America Bankers Association, the organization that administers the numbers. The American Bankers Association has a routing number lookup function at <http://routingnumber.aba.com>.

## FRONT OF SUBSTITUTE CHECK



(Photo Credit: Coca-Cola Credit Union)

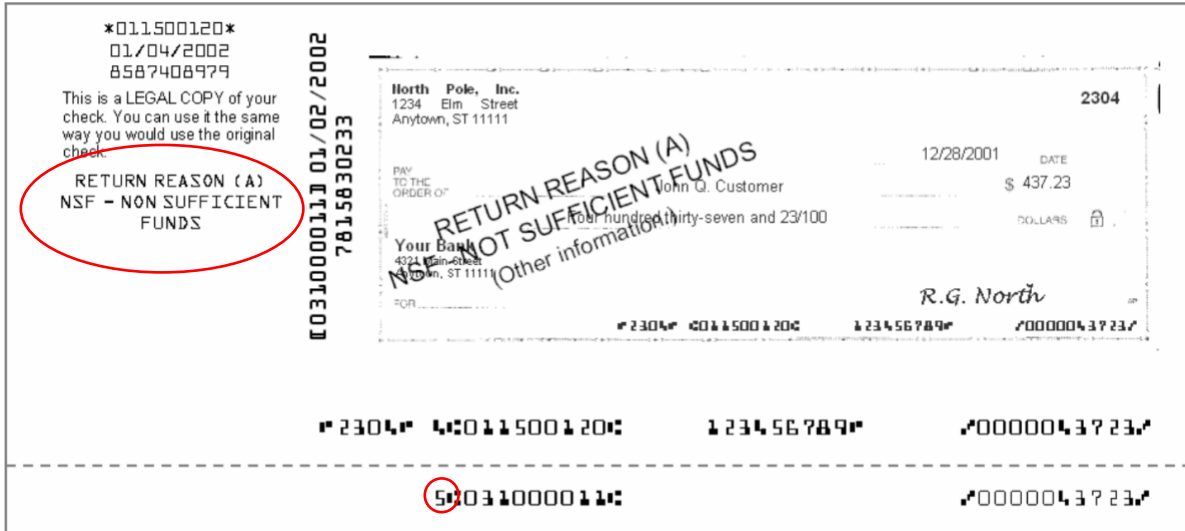
## BACK OF SUBSTITUTE CHECK



(Photo Credit: Coca-Cola Credit Union)

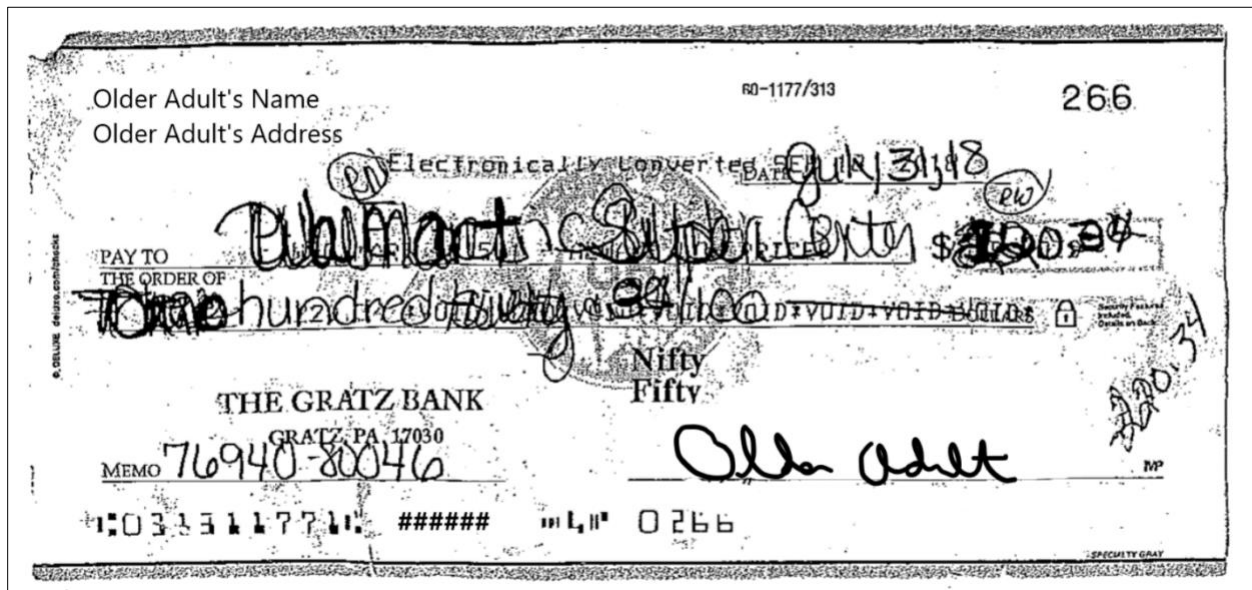
The **bank of first deposit** is the first bank that received the check for payment. The bank's ABA or routing number is the nine numbers inside the arrow tip symbols  $\blacktriangleright \blacktriangleleft$ . The **transaction sequence** is a unique number that the bank would use to identify this transaction.

This is an example of a Substitute check returned to the depositor. The reason for return is listed on the substitute check and the "4" to the left of the routing number has been replaced by a "5".



(Photo Credit: ABA's Check 21 Resource Document)

When reviewing checks either traditional or substitute, it is important to look for any alterations on the check. In this example, the original payee and amount have been written over.



In addition to looking for alterations, when reviewing the front of a check, also

- Verify the maker's signature. Does it look like the maker's signature? Was it done with a signature stamp? If so, why?
- Review the memo line. Does it make sense for the payee?
- Compare the date on the check with the date it was processed. They should be reasonably close. In the example of the altered check seen earlier, over 55 days elapsed from the date the check was written to when it used at Walmart.
- Does the format and design of the the check match other checks written from the account. The concern is that the someone ordered an additional set of checks drawn on the older adult's account without their knowledge or approval.

On the back of the check, look at the endorsements:

- If the check is payable to cash, who endorsed the check and what is their relationship to the older adult.
- If the older adult's name appears, does it look like their signature?
- If the alleged perpetrator endorsed the check, make note of it, along with any other info listed such as an account number.

The concerns with personal checks are that someone is using the older adult's funds to pay for expenses that don't benefit the older adult or removing cash from the account.

Red flags include:

- Alterations on the checks.
- Payments to caregiver or family member above the agreed amount or frequency.
- A payee does not make sense for this older adult.
- Items or services being purchased that weren't normally purchased.
- Significant increases in monthly expenses paid.
- Out-of-sync check numbers.
- Checks made payable to "cash".

Checks appear in the bank statements in several different ways. There is usually a list of checks cashed during the month such as the one shown that includes the date processed, the check number and the amount. It may also indicate if the check was processed electronically.

Checks listed in numerical order;		
Check	Date	Amount
206	12/09	491.20
207	12/15	297.00



Checks will also appear in the transaction section of the bank statement. Checks processed as checks may simply be listed in the transactions as “check” along with the check number as in the example below.

Account Activity		Debits	Credits	Balance
Transaction Date	Description			
10/19/2018	CHECK #316	\$391.00		\$8,171.67
10/22/2018	CHECK #326	\$400.00		\$7,771.67
10/23/2018	CHECK #321	\$185.00		\$7,586.67

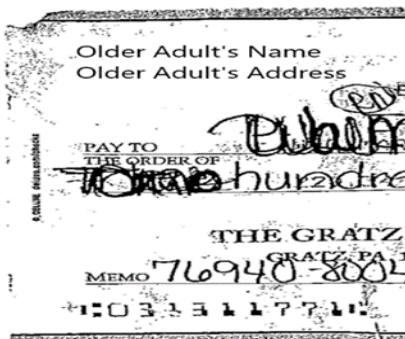
A check processed as an electronic or ACH payment may appear in the list of transactions with the payee name, the check number, and with the phrase “ACH<sup>3</sup>”, “Check Payment”, “Converted Check” or “ARC<sup>4</sup>” or something similar. In the first example below, the check number (208) is listed by itself. In the second example, the check numbers (317 & 322) are identified as a serial number.

01/05/2016 ACH Payment 208 470.00  
 JP Morgan Chase CHECK PYMT 0000000001 XXXXXX

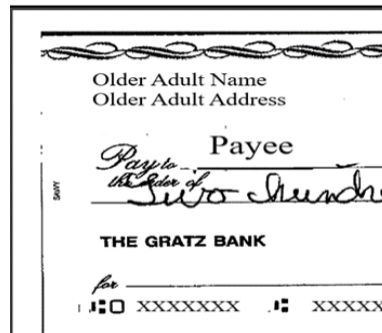
Transaction Date	Description	Debits	Credits	Balance
10/25/2018	PNC CHECKPAYMT SERIAL NUMBER: 317 4489153082160408	\$300.00		\$6,494.50
10/25/2018	DISCOVER ARC PAYMENTS SERIAL NUMBER: 322	\$138.00		\$6,356.50

Case Example #2

Check Format #1:



Check Format #2:

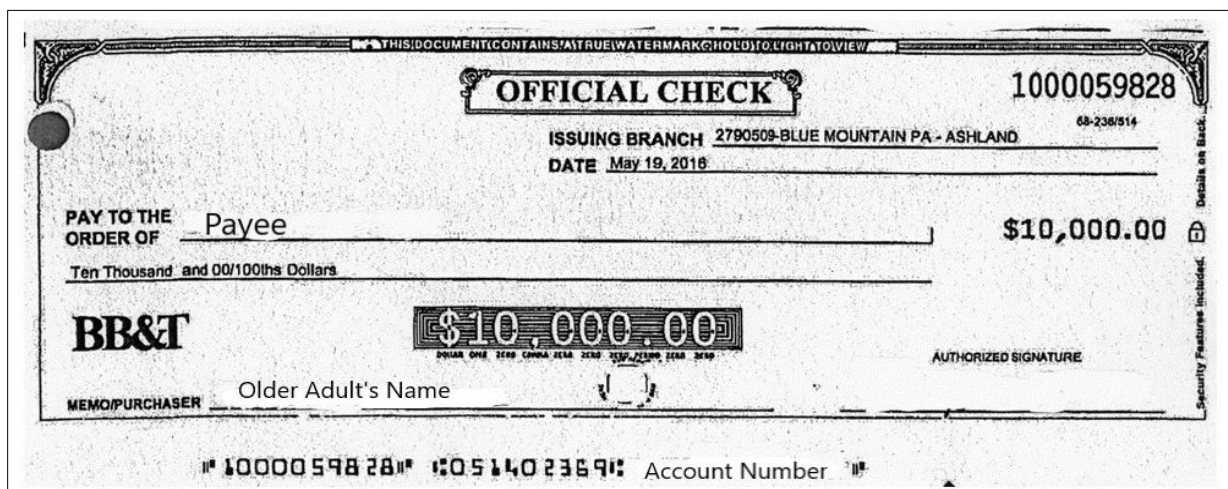


<sup>3</sup> ACH stands for Automated Clearing House.

<sup>4</sup> ARC stands for Accounts Receivable Conversion. It indicates that the vendor received a paper check as payment on an existing accounts receivable and converted the check to an electronic payment.

Something as simple as a change in check design can indicate financial exploitation. These two different styles of checks were observed while reviewing the checks drawn from an older adult's bank account. When asked about the different check styles, the older adult knew nothing about a second set of checks. It turns out that the caregiver ordered a second set of checks without the older adult's knowledge or permission. By ordering the checks without permission, the caregiver committed identity theft.

### Cashier Checks



Cashier checks are checks written on the financial institution's own account after it received money from the person requesting the cashier's check. Cashier's checks are perceived to be safer than personal checks because the cashier check is issued from a financial institution and not a person. Other names for cashier checks are **treasurer's check** and **bank check**.

Cashier's checks are drawn on the bank's account after the customer provides the money to the bank. Cashier checks are usually used to make large dollar value purchases or to make a payment to government agencies that only accept cash or cashier's checks. Cashier checks are not typically used for everyday purchases. An exception is when the person obtaining the cashier checks has a history of writing personal checks without sufficient funds in their account to cover the check.

Cashier checks will appear on the older adult's bank statements as a withdrawal or transfer of funds. Depending upon the bank, there may be a notation that a cashier check was purchased with the funds. A copy of the cashier check will be provided if the bank request letter included withdrawal slips with offsets.

The concerns with cashier checks are the same as with personal checks: Someone is using the older adult's funds to pay for expenses that don't benefit the older adult or is removing cash from the older adult's account.

Red flags include:

- Increase in the use of cashier checks.
- Cashier checks made payable to a family member, caregiver, or cash.
- Cashier checks to cover normal expenses.
- Cashier checks made payable to a payee that doesn't make sense for this older adult.
- More money being withdrawn from the older adult's account than needed for the cashier check being obtained.

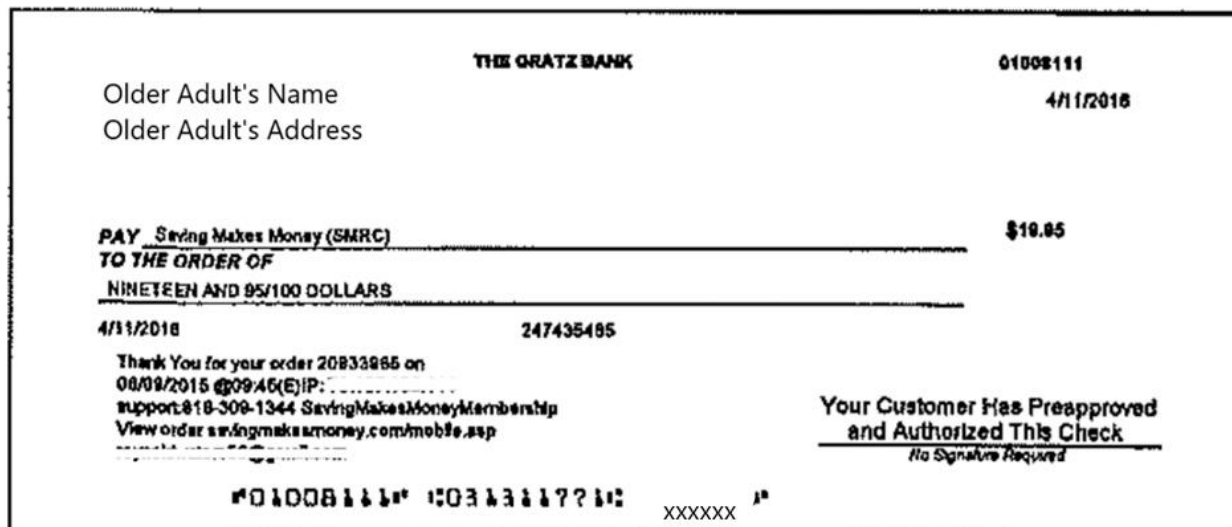
### Case Example #3

An area agency on aging recently had a case where the power-of-attorney went to the bank on six occasions to obtain cashier checks to pay for the older adult's care. Each time, the power-of-attorney withdrew \$1,000 more from the older adult's savings account than was needed to pay for the care. The power-of-attorney received the difference in cash. She is currently under investigation by local police for theft.

### Demand Drafts

Something similar to a check is a demand draft. The difference between the two is with the person initiating the payment. With a check, payment is initiated by the bank customer when that person writes out the check. With a demand draft, the third party initiates the payment when it tells the bank to transfer money from the bank customer's account into the third party's account.

The demand draft was originally created as a way for legitimate telemarketers to obtain funds from a customer's bank account using the numbers provided by the customer. The third party requesting the demand draft needs to have the bank customer's authorization to make the transfer. Remember being warned to hang up if you received a telephone call where the caller asked "can you hear me now?" The concern was that if you answered yes, the caller would use that as authorization to issue a demand draft against your bank account.



This is an example of a demand draft issued by The Gratz Bank to Saving Makes Money (SMRC). Notice that instead of a signature it reads “customer has preapproved and authorized this check.” The small print on the left reads, “Thank you for your order on [gives a date] Saving Makes Money Membership. View order on [and it lists the website] and it includes the email address of the person who signed up.

In this case, the older adult - and many other people of varying ages - applied for a payday loan. The loan application requested each applicant’s bank information and contained a phrase similar to “by submitting this application you agree to be enrolled in our savings club at \$19.95 per month. You can cancel at any time.” The older adult and others never got the loan but ended up paying \$19.95/month for nothing.

Not every use of a demand draft is bad. For example, a storage shed company issues demand drafts monthly to their customers’ banks. This process assures timely payment and reduces the need of auctioning off contents for lack of payment.

A demand draft will listed in the bank statements as a check and identified by their very large check number. Images of demand draft will appear with the checks but won’t have a maker signature.

Even though there are legitimate uses for demand draft, it is recommend to treat the presence of demand draft as a red flag.

For each demand draft, search the internet for company that received the money. The concern is that it is a predatory business taking money from people without providing anything of value. Also, confirm with the older adult that they are actual receiving a something from the

company that issued the demand draft. In the case with the storage shed company, the older adult was able to confirm that she had items in storage at that location.

### [ACH \(Electronic\) Payments](#)

Another form of payment you will see in bank statements are ACH payments. ACH payments are electronic payments made through the Automated Clearing House system using the customer's *bank account information* (ABA/routing number, and account number). They are typically used to pay bills and make mortgage and loan payments.

ACH payments can be listed on the bank statement many different ways including: Bill Pay, e-payment, e-pay, ACH, ARC, EFT, or telephone payment.

The concerns with ACH payments are that someone is using the older adult's bank account information to make personal purchases or pay off personal debt. Bank account information can be obtained from a person's checks, bank statements, and certain applications like a loan application.

The red flags include:

- Expenses that don't make sense for the older adult.
- Purchases made from vendors that don't make sense for the older adult.
- Items or services being purchased that weren't previously purchased.
- Significant increases in monthly expenses paid. This could indicate that expenses for someone other than – or in addition to - the older adult are being paid.
- Payments to credit cards the older adult doesn't have.
- ACH payments when they were never or infrequently used previously.

### [ATM / Debit Card Payments](#)

ATM or Debit card payments are similar to ACH payments. The difference is that instead of providing the vendor with bank information, *debit card information* is provided. It is important to know the difference between an ACH payment and Debit card payment because it will determine what type of protective service measures recommended. If someone is making questionable ACH payments on an older adult's account, the protective service measures are to close that account, open a new account, and get new debit cards and checks associated with the new account. If it is just a problem with the debit card, the protective service measures are to cancel the card and get a debit card.

Debit card payments can be listed in the bank statements under a variety of names:

- Debit card purchase
- ATM purchase
- ATM RCR payment where RCR stands for recurring payment. This is popular with subscription services that renew automatically until cancelled.
- POS where POS stands for point of sale.
- SQ\*, which is a point of sale transaction using the Square point of sale system. The name after the \* is the vendor where the card was used.
- A vendor's name.

Additionally, the bank statements may list the last four digits of the card used to make the purchase or indicate the amount of cash given as part of a cash back transaction. A **cash back transaction** is one where the payment charged to the debit card included the item(s) purchased along with cash given to the customer.

The concerns with debit card payments include: who is making the debit card purchases, is the older adult authorizing the purchases, and is the older adult taking precautions to protect their debit card. The physical debit card is not needed to make online payments, only the information on the card. Two quick photos when the older adult isn't around, and the card can be used by a dishonest person.

The red flags for debit card purchases are similar to purchases made through other means while some are specific to debit cards:

- Expenses that don't make sense for the older adult.
- Purchases made from vendors that don't make sense for the older adult.
- Items or services being purchased that weren't normally purchased.
- Significant increase in monthly expenses paid by debit card.
- ATM / debit card purchases when they were never or infrequently used previously.
- Additional ATM / debit cards being sent to the older adult.
- ATM / debit cards purchases that are inconsistent with prior use.
- ATM / debit cards used outside the older adult's geographical region.

#### [Case Example #4](#)

Not all changes in debit card usage can be contributed to family members or caregivers. Two years' worth of bank statements were reviewed for a 74-year old man. During the first 18 months, his debit card was used to make purchases at local stores. Then suddenly, the debit card was used for online purchases at Amazon and Walmart, in-app purchases through Google, and at a few online shopping networks. The older adult did not know anything about these

purchases and nothing changed in his life that would account the charges. It is believed that his debit card information may have been hacked or otherwise compromised. The Area Agency on Aging assisted the older adult with reporting the charges to his bank and obtaining a new debit card.

## Digital Wallets

Digital wallets are third party services that allow a customer to make purchases without disclosing their payment information to the vendor.

PayPal, an online payment system, is the precursor to today's digital wallets. PayPal was developed to facilitate payments between buyers and sellers on eBay. When a person signs up for PayPal, their PayPal account is linked to their bank account, debit card or credit card. Later, a person can use their PayPal account to pay a person or a merchant without having to disclose their bank or card information to the vendor. PayPal is now widely used by companies other than eBay.

As smartphones came into prominence, the online payment model became app-based and digital wallets were created. Digital wallets include: Apple Pay, Google Pay, Master Pass, Visa Checkout, and Venmo.

With a digital wallet, credit or debit card information is stored in an app on your smartphone. Payments are made by simply holding your smartphone near a compatible payment terminal or through the app when shopping on your phone. In some instances, a digital wallet can be used to withdraw cash from an ATM or transfer money between individuals.

The physical credit or debit card is not needed to sign-up for a digital wallet service, only the information on the card. After a person signs up for a digital wallet service there may be some form of verification by the debit or credit card company such as a text or email to the information on file with the bank. It would not be difficult for an unscrupulous person to complete these verification process.

Purchases made through most digital wallets don't indicate on the bank statements that a digital wallet service was used. The purchases appear as any other debit or credit card purchase. Exceptions include PayPal and Venmo. Bank statements indicated when PayPal and Venmo are used. Sometimes the vendor's name are also identified with \*[vendor name]. For example, PayPal \*REI indicates that PayPal was used at REI.

Concerns with digital wallets are about the protection of information needed to create a digital wallet. Because digital wallets are a newer technology, older adults may not understand how the technology works or that their physical debit or credit card is not needed to make a purchase through a digital wallet services. Consequently, they may not be taking proper precautions to protect their debit or credit card.

The red flags that may indicate that a digital wallet is associated with the account include:

- Purchases that the older adult does not remember making or authorizing.
- No previous history of PayPal or Venmo.
- Expenses that don't make sense for the older adult.
- Purchases made from vendors that don't make sense for the older adult.
- Items or services being purchased that are not normally purchased.
- An increase in the frequency of ATM / debit card / credit card purchases.