



CHECK 21: Paving the Way to Modernize Check Processing

What Is Check 21?

The Check Clearing for the 21st Century Act (Check 21) was signed into law on October 28, 2003 and becomes effective October 28, 2004. The purpose of the law is to lay the groundwork for financial institutions to use modern technologies to improve efficiencies and reduce the legal barriers in check processing. The law is designed to pave the way for the electronic exchange of checks, which could reduce the costs associated with the handling and delivering of paper checks by as much as \$2 billion per year.

The law provides for voluntary electronic check processing by financial institutions and processors, as well as the creation of "substitute checks" to be delivered to those institutions not participating in electronic exchanges.

How Will Check 21 Affect Fairmont Federal Credit Union Members?

Check 21 will have very little impact on you, our members, as most of the changes will occur behind the scenes during the processing of checks. Other than sometimes receiving a copy of a "substitute check", Check 21 should have no affect on your check writing habits. You may continue to write checks, arrange pre-authorized debits and credits, participate in bill payment systems, and use your Visa Cash/Check card to access your account. Check 21 places no limitations or restrictions on your check writing capabilities.

You should be aware however that nowadays with so many electronic processing methods available, it is sometimes impossible to beat the check to the credit union. So as always, you should never write checks unless there are sufficient funds in the account or you have adequate overdraft protection as transactions can clear your account in a matter of hours instead of days. Writing checks on non-sufficient funds may result in service fees and/or returned items.

If you request a copy of a check you wrote to a merchant, creditor, or service provider that has been converted to an electronic image, then you will receive a copy of the "substitute check", which is the legal equivalence of the original check. If you deposit or cash a check drawn on another institution that has been converted to an electronic image and it is returned unpaid, then you will receive the "substitute check" as the unpaid item. If we provide you with a copy of a substitute check in one of these circumstances, then we will also furnish you with a Consumer Awareness Disclosure that explains "substitute checks" and your rights regarding transactions involving these substitutes.

Check 21 Summary

Check 21 was passed to allow financial institutions to foster innovative methods and utilize modern technologies

to streamline the processing of checks. Most of the provisions of Check 21 will be transparent to consumers and will not impact their check writing habits.

Check 21 does provide for the conversion of paper checks to electronic images, allows the creation of "substitute checks", and establishes "substitute checks" as the legal equivalents of original checks. Check 21 also addresses consumers' rights and protections involving "substitute check" transactions. Check 21 does not restrict or limit consumers check writing capabilities in any way. Check 21 is just the first of many changes to come as check processing moves to more efficient and cost effective methods in the 21st Century.