

## Questions & Answers about Check 21

The Check Clearing for the 21<sup>st</sup> Century Act, or "Check 21", took effect on October 28, 2004. This legislation dramatically changed the check-processing system by eliminating the risks associated with physical transportation of checks throughout the clearing process, streamlining check collections and returns, and promoting electronic imaging and storage of paper documents.

The following Questions & Answers were developed to help you understand this new law and how it may affect you.

**Q. What is Check 21?**

- A. Check 21 is a new federal law that took effect on October 28, 2004, allowing financial institutions like SEFCU to create electronic copies of checks, and then destroy the original paper check. This check imaging or "truncation" makes check processing much faster and less costly. The electronic image, when printed out, is called a "substitute check".

**Q. What is a "substitute check?"**

- A. A substitute check is a legal document with all the rights and obligations of any original paper check written from your checkbook. **At any point along the check clearing process, a financial institution may remove the original paper check and substitute an electronic image.** Substitute checks are simply paper copies created from these electronic images of original paper checks (front and back, with all endorsements) and are suitable for automated processing in the same manner as the original paper check. Each substitute check must include a statement identifying it as a legal copy of the original paper check. Substitute checks are also known as IRDs or "image replacement documents".

**Q. What does a substitute check look like?**

- A. A substitute check is approximately 3.75 x 8.5 inches long. It is larger than your original paper check because it includes an image of the front and back of your check, along with a legal statement and other information printed on it.

### Substitute Check Sample



**Q. *Will substitute checks be processed faster?***

A. Check 21 can speed check processing significantly. For example, a check on a Florida bank that is deposited on the west coast would normally take several days to clear. However, with Check 21, that same check could clear the Florida bank on the same day.

**Q. *What happens to my original paper check?***

A. In most cases, original checks are destroyed once the check is imaged. Check 21 does not regulate the retention of original paper checks.

**Q. *What if I need a copy of my cancelled check?***

A. When you request a copy of a cancelled check, you will receive a copy of the substitute check if your original check was imaged during processing. Otherwise, you will still be able to obtain a copy of your cancelled check. It is important to remember that substitute checks, by law, are legal documents just like your cancelled checks.

**Q. *What do I do if there is an error involving a substitute check?***

A. Immediately contact us if you suspect an error. Check 21 requires that we provisionally re-credit your account within a given time frame. (See below.)

**Q. *What are the consumer protections?***

A. Check 21 has "expedited re-credit" provisions that specifically pertain to substitute checks. The expedited re-credit provision allows you to make a claim if you believe that a substitute check was erroneously charged against your account. Specific steps must be followed when making a claim and there are certain financial institution steps and timetables built in for addressing your claim.

**Q. *How much time do I have to report a suspected error?***

A. You have 40 calendar days from either the date your statement was delivered or from the date the substitute check in question was made available to you, whichever is the later date.

**Q. *How much time does the credit union have to address my claim?***

A. Check 21 requires a re-credit to your account no later than the end of the business day after the business day on which the credit union determined that your claim was valid, or on the tenth business day after the claim is made, if the credit union has yet to determine the validity of your claim.

**Q. *Does Check 21 apply to business checking accounts?***

A. Yes. Check 21 applies to all types of checks except foreign checks. The new law affects consumer, business, traveler's and U.S. Treasury checks.