

Check 21 Quiz

Q: When did Check 21 become effective?

A: October 28, 2004

Q: Will the bank send a disclosure to all existing customers?

A: No. Only consumer customers are entitled to the notice and only those consumer customers who receive their paper checks back in their statements.

Q: Will the initial disclosure be sent to those customers who currently receive check images?

A: No. But, the bank must give this disclosure to the consumer customer if a copy of a check is requested and they are given a substitute check. We must also give them this disclosure if a deposited check is returned unpaid as a charge-back and that returned item is a substitute check.

Q: Are savings accounts subject to Check 21?

A: No, savings account customers do not receive the general disclosure notice, but if a savings customer receives a substitute check as a charge-back to the account then a disclosure is required with the charge-back (the disclosure must also be given if the customer requests a copy of a deposited check and a substitute check is provided).

Q: Is Check 21 disclosure language required on signature cards?

A: No. The signature card is not the required end point for the required disclosures.

Q: What will a substitute check look like?

A: The Substitute Check (SC) will be a slightly-reduced paper copy of the original check with all of the "stuff" that was on it prior to truncation, plus (on the left side) the required SC legend and information about the truncating bank and reconverting bank. The back of the substitute check will show the back of the original check. The size of the substitute check will be slightly larger than a standard personal check (about the size of a business-check).

Q: What are the rights of a business customer with respect to substitute checks? Do they get fees and interest refunded like consumers?

A: A non-consumer customer who receives a substitute check is entitled to warranties and indemnification, but not all the bells & whistles of the Expedited Credit. Generally, a business customer has 30 days to file a claim and could be entitled to the amount of the loss suffered up to the amount of the substitute check, interest and expenses (including costs and reasonable attorneys fees) etc. These non-consumer customers don't get are the "expedited" recredit provisions (the first \$2,500 refunded after 10 days, disclosures, assurance that the claim will either be denied or the entire amount refunded within 45 days, etc.)

Q: What is the purpose of Check 21?

A: To make check processing faster and more efficient.

Q: What changes can our customers expect when Check 21 becomes effective?

A: Customer might receive a substitute check when they were expecting an original check.

Q: Will checks be paid sooner when Check 21 becomes effective?

A: Checks sent electronically will be paid sooner.

Q: What is the difference between Check 21 and programs that convert checks to electronic payments?

A: Under Check 21 a check may be processed as a check, in that case, rights are governed by check laws and regulations (including Check 21)

Under electronic check conversion, the check is used only as a source of information to create an electronic fund transfer and is not processed as a check. The customer must receive notice that his/her check may be processed this way. Electronic fund transfers are governed by different laws and have different consumer rights than check payments.

Q: Can I use a substitute check as proof of payment?

A: Yes. You can use a substitute check as proof of payment because it is legally the same as the original check. For instance, the IRS will accept your substitute check as proof of payment.

Q: How are image statements different from substitute checks?

A: Instead of providing canceled checks, some banks provide customers with image statements that show multiple pictures of canceled checks per page. These are not substitute checks.

Q: What should the customer do if something is wrong with the substitute check that is received?

A: A substitute check must show the front and back of the original check and be printed in accordance with very specific standards. If a consumer receives a substitute check with a bad picture of the original check, the customer must file a claim and the bank must follow the procedures under the Expedited Recrediting Rules.

Q: If our bank is an image-bank does that mean that our customers won't be receiving any substitute checks?

A: After October 28, 2004, imaged banks must only provide the Check 21 disclosure if a consumer customer is given a substitute check in response to a request for a copy of a check or when a substitute check is given as a charge-back.

Q: If a customer receives a substitute check but requests the original check can we get it for them?

A: No. Banks are not required currently to keep the original checks for any specific length of time, and Check 21 does not add any new retention requirements. In many cases, the original check may already be destroyed by the time the request is received.

Q: Can banks or their customers prevent others from using their original checks to create substitute check?

A: No. Generally, any check can be used to create a substitute check, including a personal check, corporate check, credit card check, postal money order, and U.S. Treasury check. However, a foreign check cannot be used to create a substitute check.

Q: How are our customers protected under Check 21?

A: Check law protects customers against erroneous and unauthorized check payments. In addition, Check 21 contains a number of new protections for consumers. For example, Check 21 contains a special refund procedure (called "expedited recredit") for a consumer who suffers a loss related to a substitute check he or she received.

Q: Does the special refund procedure apply to customers who receive an image statement with a picture of a substitute check?

A: No. The special refund procedure applies only if the customer actually received a substitute check.

Q: Why is the new law called "Check 21" as opposed to "Check 22"?

A: It's called check 21 because the full "real" name of the Act is Check Clearing for the 21st Century Act.

Q: For Check 21 purposes is a sole proprietorship a business account or a consumer account?

A: A sole proprietorship is a business for Check 21 purposes, not a consumer account.

Q: Why wouldn't an image of a substitute check also qualify for expedited recredit?

A: Because the regulation says expedited recredit is conditioned on the actual receipt of a substitute check:.

Q: We just had a customer come into our bank who claims that he read where he can sign a disclaimer to refuse ALL substitute checks. Does he know what he is talking about or is he dreaming.

A: He's dreaming. All banks are required to receive substitute checks. We (the bank) have no control over what checks will be truncated and converted to substitute checks.

Q: What items are subject to Check 21?

A: All checks, including cashier's checks, payroll checks, personal checks and business checks are subject to Check 21. Savings bonds are not checks and therefore are not subject to Check 21.

Q: Should bankers expect Check 21 enhancements to reduce fraud significantly or even make it go away?

A: Many have been led to believe that upon becoming image-enabled, exposure to fraud losses will be greatly reduced or even eliminated but if history has shown us anything, it is that fraud will evolve as criminals regroup and exploit new weaknesses and vulnerabilities.