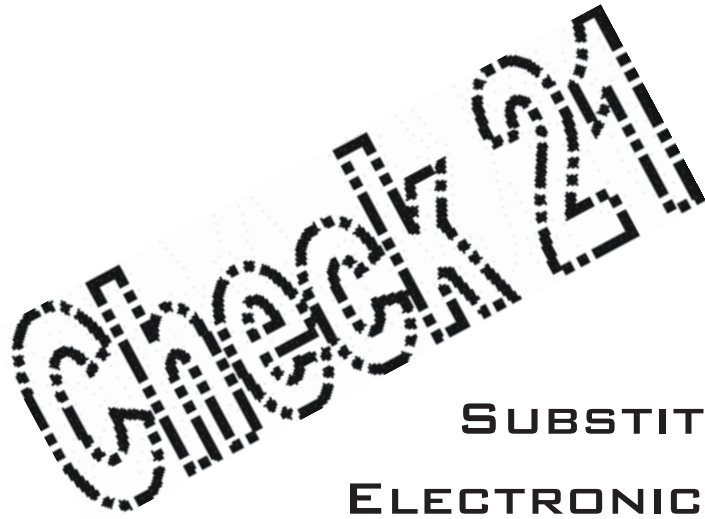


# FTC FACTS for Consumers



## SUBSTITUTE CHECKS, ELECTRONIC PROCESSING, AND WHAT IT MEANS TO YOU

**I**f you write checks, you should know about a new law called “Check 21.” Under the law, your paper checks can be replaced with copies called “substitute checks” or other electronic items. The law also allows for electronic — and faster — check processing.

### What Check 21 Means to You

You may not get your canceled checks in the mail with your regular bank statement anymore. Instead, you may get a substitute check — a paper copy of the front and back of your original check. It is slightly larger than a standard personal check and meets other requirements. You can use a substitute check as proof of payment, but only if it includes this statement: “This is a legal copy of your check. You can use it the same way you would use the original check.”

# Facts for Consumers

Here's what a substitute check can look like.

## FRONT

\*011500120\*  
01/04/2002  
8587408979

This is a LEGAL COPY of your check. You can use it the same way you would use the original check.

0053000183 01/03/2002 1800539446

145

JAMES C MORRISON  
MARY B MORRISON  
1766 SHERIDAN DRIVE  
YOUR CITY, STATE 04001

DATE Jan 1, 2002 00-5789/0000  
008902

PAY TO NORTH POLE, INC. \$ 295.45  
The order of

Two Hundred Ninety Five and 45/100 DOLLARS

Your Bank  
YOUR CITY, STATE 12345

MEMO Goodies James C. Morrison MP

⑆000067894⑆ 12345678⑆ 0115 ⑆0000029545⑆

## BACK

0530-00183 01032002  
NORTH POLE BANK, N.A. CXC  
CHARLOTTE, NC 1175-002  
1800539446

>031000011< 01/02/2002  
8587408979

JAN 2 2002

⑆0310000114⑆  
FIRST UNION NATL SVCS-813  
PHILADELPHIA PA 01022602

DO NOT SIGN/WRITE/STAMP BELOW THIS LINE  
FOR FINANCIAL INSTITUTION USAGE ONLY

FOR DEPOSIT ONLY  
FIRST UNION NATIONAL BANK  
ACCOUNT # 1234567890123  
NORTH POLE, INC.

053000183 01/03/2002  
1800539446  
\*011500120\* 01/04/2002  
8587408979

↓ Do not endorse or write below this line. ↓

Depending on your agreement with your bank, you may not receive original checks or substitutes with your monthly statement. Instead, you may receive a list of your electronically processed checks, or electronic images of checks, which don't have all the required information to make them substitute checks. Or you may get partial copies of several of your cancelled checks on one page.

## No More "Float"

Check 21 allows banks to process checks more quickly. That means your check will reach your bank almost immediately, and be paid sooner. It also means you may lose the "float" on your check. So if you write a check today, you need to have funds in your account today to cover it. If you don't have sufficient funds, your check (and

### A WORD ABOUT ELECTRONIC CHECK CONVERSION

Substitute checks and electronic check conversion are different. Both involve electronic processing, but the processes are different.

Electronic check conversion works like this: When you give your check to a store cashier, the check is processed through an electronic system that captures your bank account information and the amount of the check. Once the check is processed, you're asked to sign a receipt and you get a copy for your records. When your check has been processed and returned to you, it should be voided or marked by the merchant so that it can't be used again. The merchant electronically presents information from the processed check (but not the check itself) to your bank or other financial institution, and the funds are transferred into the merchant's account.

Electronic check conversion also is used for checks you mail to pay for a purchase or to pay on an account. The merchant or company receiving your check electronically sends the information from your check (but not the check itself), through the system, and the funds are transferred into their account. Your check is usually destroyed by the merchant or other company that processed the information; you may, however, ask them for a copy of the check, which they may have retained.

The bottom line? Electronic check conversion is an electronic fund transfer. The processed information will appear on your bank statement in an area with similar payments, like direct deposit of your paycheck, or debit card payments and withdrawals. Electronic check conversion has special protections for errors and unauthorized transfers under the Federal Electronic Fund Transfer Act.

others you may write afterward) may bounce, and you may have to pay fees imposed by the merchant, your financial institution, or both. What's more, bounced checks can blemish your credit record. If you're concerned about bounced check fees, you may want to consider overdraft protection or a backup line of credit on your account. Your financial institution may charge for these services.

Consumers have certain rights related to these check payments. For example, by law you are protected against wrong and unauthorized check payments, whether you get back a paper check, a substitute check, or an electronic image of the check. Check 21 includes a special refund procedure if you suffer a loss related to a substitute check you receive.

# Facts for Consumers

## Avoiding Errors

Legibility is important. Illegible checks can lead to improper payments, because electronic images are created from the original check and sent through the banking system to obtain payment.

Careful record-keeping also is critical. Use your check ledger to record every check you write. That helps avoid errors in your account and overdrafts. Review your monthly bank statement when it arrives, and contact your bank as soon as possible if you suspect errors on your account.

## For More Information

- Contact your financial institution.
- Visit the Federal Reserve Board at [www.federalreserve.gov](http://www.federalreserve.gov). The Board's Consumer Guide to Check 21 and Substitute Checks ([www.federalreserve.gov/pubs/check21/consumer\\_guide.htm](http://www.federalreserve.gov/pubs/check21/consumer_guide.htm)) describes how consumers may be affected by the new law and provides information on how to resolve problems associated with the receipt of substitute checks. A second consumer guide

from the Board, *What You Should Know about Your Checks*, ([www.federalreserve.gov/pubs/check21/shouldknow.htm](http://www.federalreserve.gov/pubs/check21/shouldknow.htm)) discusses how check payments have changed, including the increased use of electronic check conversion, a process separate from Check 21.

- Visit the FTC at [ftc.gov/bcp/online/pubs/credit/echeck.htm](http://ftc.gov/bcp/online/pubs/credit/echeck.htm) for a copy of *Electronic Check Conversion*.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	<a href="http://ftc.gov">ftc.gov</a>
1-877-FTC-HELP	FOR THE CONSUMER

**Federal Trade Commission**  
Bureau of Consumer Protection  
Office of Consumer and Business Education