

Check 21

Check Clearing for the 21st Century Act

What is Check 21?

Check 21 is a new federal law that no longer requires financial institutions to process and retain our paper checks as they have in the past. As of October 28, 2004, banks and credits unions are allowed to process and deliver checks electronically. They are also allowed to make electronic images of the paper checks, called “substitute checks” instead of returning or retaining the original paper check.

What Does This Mean for the Consumer?

There are several important implications for the consumer.

- The electronic processing of checks within the financial system means the amount of the check will be deducted from the account in the matter of hours instead of days. The consumer can no longer assume it will take 3-5 days for the check to “clear” or make its way through the Federal Reserve System before being deducted from the account. This “float time” will be gone.
- The only “float time” a consumer will have from the time the check is written until it is deducted from the account will be the time it takes for the mail to deliver the payment.
- Consumers can be charged a “bounced” check fee or over draft fee if there is not enough money in the account to cover the amount of the check.
- Because of the speed with which these transactions take place, it will be more difficult to stop payment on a check.
- Keeping the check registry current and regularly balancing the checkbook will help consumers avoid overdraft charges and penalties.
- Original paper checks will not be returned to the consumer. In some cases, “substitute” checks will be provided. Consumers who do their banking online, may be provided access to electronic images of their checks, which they can print, for their records or to submit as proof of payment.
- There may be new fees associated to accounts for issuing substitute checks or for overdraft protection options.

What This Doesn't Do

Even though this new system provides information and the transfer of funds very quickly, banks and credit unions can still take 3-5 business days or longer before making funds from deposits available to the consumer.

To Protect Yourself

Consumers need to read the materials provided by their financial institution, ask questions, keep records, carefully review account statements for accuracy, and work with their financial institution to resolve any inaccuracies.

For More Information

Contact Cornell Cooperative Extension Consumer HelpLine for more information.

Cooperative Extension offers a Money Work\$ Money Management Workshop series that assists consumers in evaluating the various account options available and increasing their account management skills. Call 607-272-2292 for details.

Building Strong and Vibrant New York Communities

Electronic Fund Transfers When A Check is Not A Check

What is an Electronic Check Transfer?

An Electronic Check Transfer takes place when a merchant or vendor uses the information on your personal check to immediately remove the payment from your checking account. It works the same as a debit card transaction when used with a PIN.

If making a purchase in a store, the check is processed, voided and returned to the consumer. If the payment is mailed, the canceled or voided check is not returned. The transaction will be recorded on the monthly bank statement with the check number and name of the vendor or merchant noted as well as the amount of the check.

Consumer's Rights in Electronic Check Conversion Transactions

Consumers have the following rights when their check is used for an electronic transaction:

- Notice must be given **before** the check is processed that it will be used to make an electronic payment from your account.
- This notice must also include information regarding **any fees**, similar to the “bounced check” fee that the merchant will collect from your account if you do not have enough money in the account to cover the transaction.
- A receipt of the transaction must be provided including the date, amount, location, and name of the merchant.
- This information must also be included on your regular account statement from your financial institution.
- If there are any electronic transfers from your account that you believe are unauthorized or incorrect, you have the right to ask your financial institution to investigate.

Ways Consumers can Protect Themselves

- Be sure you know there is enough money in your account to cover the amount of the check.
- Check the receipt before leaving the store to be sure it is accurate.
- Keep your receipt as well as the voided check.
- Never reuse a check that has been processed electronically.
- Review your account statement from your financial institution regularly. Compare your receipts and voided checks to be sure they were accurately recorded.
- Contact your financial institution immediately if you notice a problem.
- If you do not want your check used for an electronic conversion, chose another payment method.

For More Information

Contact Cornell Cooperative Extension of Tompkins County at 607-272-2292.