

MANAGING YOUR MONEY

A New Law Changes The Way Checks Clear

(NAPSA)—Check it out. A new law is changing the way banks clear checks.

The legislation—known as the Check Clearing for the 21st Century Act, or Check 21—will benefit consumers through faster check clearing, decreased fraud, less paper and increased security.

The law makes it possible for banks to send—and accept for clearing purposes—digital images of checks electronically. This eliminates the need to physically transport checks between banks.

As an added benefit, Check 21 will reduce uncontrollable delays in transporting checks caused by weather or natural disasters.

According to the American Bankers Association, the law does not eliminate paper checks, nor does it change the way consumers write checks. It simply requires banks and customers to accept paper copies of original checks, called “substitute checks.”

A “substitute check” is a paper copy of the original check, including the front, back and all endorsements.

Supporters of this law say that consumers will benefit. Here’s why:

- They’ll have earlier access to their funds and more convenient access to information online about the status of their checks,
- Check fraud will be reduced because faster processing will mean faster detection and faster resolution of problems,
- Consumers receive special recrediting rights if a problem arises due to a “substitute check.”

One caution: with faster processing, consumers must ensure



Experts say a new law will reduce fraud and paperwork by speeding the check-clearing process.

they have enough money in their account to cover their checks.

In addition to the changes brought on by Check 21, a growing number of retailers are now converting paper checks into electronic automated clearinghouse (ACH) payments on the spot. This means that if a consumer has written a check for a purchase, the check is returned immediately at the point of purchase, after it is converted into an ACH payment.

Regular billers, such as utilities or credit card providers, are also converting checks to ACH payments. Once the check is converted, a consumer will not receive a copy of the original. However, the check will be reflected in the consumer’s bank statement, which will be accepted as proof of payment.

To learn more, visit the America Bankers Association at www.aba.com and click on “Consumer Connection.”