

handed the check back immediately after it's converted into an electronic ACH payment at the store or shop.

In the second example, regular billers (telephone, utilities and credit card providers, for example) convert your check payments into ACH payments. The check has been “converted” to an electronic format, and you won't receive a copy of the original. The payment will be reflected in your bank statement, which becomes the legally accepted proof of your payment.

Keep in mind that both of these example transactions are different from substitute checks.

All of these changes allow for faster payment processing and even better service to the nation's banking customers.



1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

Checks Are Changing

Check 21

- *What it is*
- *What it does*
- *How it will affect you*

Checks in the 21st Century

In October 2003, the Check Clearing for the 21st Century Act became law. Now known simply as Check 21, the legislation's goals include "to improve the overall efficiency of the nation's payments system."

Today, most checks must be physically transported—whether across town or across the country—before they can be cleared. This is expensive and time-consuming. Check 21 provides a new option: legal acceptance of paper reproductions of original checks. This reproduction is called a “substitute check” and is produced from a digital image of the original check.

How Will Check 21 Affect You?

By Oct. 28, 2004, every bank will be required to accept substitute checks, just as they currently accept your original paper checks. If you receive your canceled checks or electronic images of your canceled

checks with your account statement, you will begin seeing substitute checks after that date. A substitute check is the legal equivalent of the original check and will include all the information contained on the original.

Check 21 includes several safeguards for checkwriting consumers. Check 21 helps speed check clearing, so check fraud can be discovered faster. Faster fraud detection means faster resolution for customers. Another safeguard: A bank that creates a substitute check must warrant that it is accurate. The bank also has to make sure that the substitute check is produced in accordance with industry standards for quality.

A Word About Check Conversion

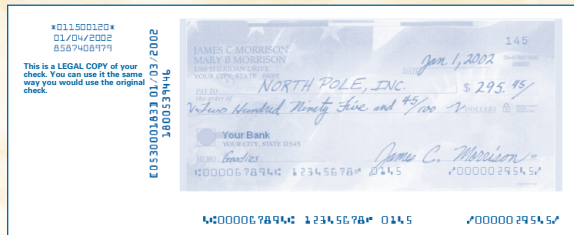
You may already have experienced two other emerging payment practices, and each is an example of “check conversion,” which uses the automated clearinghouse, or ACH, system.

In the first example, a retailer converts a paper check into an electronic ACH payment on the spot. In this situation, if you've written a check for a purchase, you are

Efficient Check Clearing Benefits You

The improvements brought about through Check 21 allow for faster payment processing and even better service to you, the banking customer. A few of the benefits include:

- ✓ **Faster check clearing**
- ✓ **Decreased fraud**
- ✓ **Less paper**
- ✓ **Increased security**



Sample substitute check