

# What is Check 21?



A federal law, known as Check Clearing for the 21st Century Act (Check 21), makes it easier for financial institutions to electronically transfer check/share draft images instead of physically transferring paper checks. This guide explains your rights under Check 21 as they relate to substitute checks. A substitute check is a special paper copy of the front and back of your original check that is created to replace the original check.

## How does Check 21 affect you?

Because of Check 21 and other check-system improvements, your checks may be processed faster - which means money may be deducted from your checking account faster. Before you write a check, make sure that your checking account has enough money in it to cover the check.

Like the majority of consumers, you may not receive your canceled checks with your account statement. Check 21 will have little or no effect on these practices.

You may receive substitute checks in other limited circumstances. For example, FORUM CREDIT UNION may give you a substitute check if you ask to have a particular canceled check back to prove a payment. Also, FORUM CREDIT UNION might provide a substitute check to you when returning a "bounced" check (a check returned when the account does not have enough money to cover the amount of the check) that you deposited into your account.

By law, FORUM CREDIT UNION may not pay a check from your account unless you authorized that payment. In other words, you are protected from having FORUM CREDIT UNION pay the same check from your account more than once or from having FORUM CREDIT UNION pay the wrong amount for a check. Check 21 does not change these protections. However, Check 21 does give you special rights if you receive a substitute check from FORUM CREDIT UNION. This guide explains your rights regarding substitute checks. For your rights in other situations, contact FORUM CREDIT UNION.

## What is a substitute check?

A substitute check is a special paper copy of the front and back of an original check. The substitute check may be slightly larger than the original check. Substitute checks are specially formatted so they can be processed as if they were original checks. The front of a substitute check should state: "This is a legal copy of your check. You can use it the same way you would use the original check."

The following samples show what a substitute check looks like:



Front of a substitute check



Back of a substitute check



Online check images and photocopies of original checks are not substitute checks either. You can use image statements and other copies of checks to verify that FORUM CREDIT UNION has paid a check.

## Why do financial institutions create substitute checks?

Some financial institutions find that exchanging electronic images of checks with other financial institutions is faster and more efficient than physically transporting paper checks. In certain circumstances, however, financial institutions may need to use a paper check. To address this need, Check 21 allows a financial institution to create and send a substitute check that is made from an electronic image of the original check.

## Can I require my financial institution to return my original check?

No. In general, the law does not require FORUM CREDIT UNION to return your original check. Many financial institutions destroy original paper checks. Other financial institutions may store original checks for some period of time and then destroy them. Check 21 ensures that you have the same legal protections when you receive a substitute check from FORUM CREDIT UNION as you do when you receive an original check.

## What should I do if I receive a substitute check and there is a problem?

Check 21 provides a special process that allows you to claim a refund (also known as an expedited re-credit) when you receive a substitute check from a financial institution and you think there is an error because of the substitute check. For example, you may think that you were charged twice for the same check.

You may use the special process to get a refund of the money you lost. The amount of your refund under the special process is limited to the amount of your loss or the amount of the substitute check that you received, whichever is less, plus interest on that amount if your account earns interest. If your loss is more than the amount of the substitute check, you may have the right under other laws to recover additional amounts of money.

If FORUM CREDIT UNION finds that your claim is valid, you should receive your refund by the next business day after the financial institution's finding. Unless FORUM CREDIT UNION finds that your claim is not valid, you should receive up to \$2,500 of your refund (plus interest if your account earns interest) within 10 business days after FORUM CREDIT UNION receives your claim. You should receive the rest of your refund (plus interest if your account earns interest) no later than 45 days after FORUM CREDIT UNION receives your claim. If FORUM CREDIT UNION finds that your claim is not valid, it will send you a notice explaining why.

FORUM CREDIT UNION may reverse the refund (including any interest on the refund) if it can show that the substitute check did not cause an error in your account.

## How do I file a claim under the special refund procedure for substitute checks?

If you notice a problem with a substitute check, you should contact FORUM CREDIT UNION as soon as possible. In general, to use the special refund procedure for substitute checks, you should contact FORUM CREDIT UNION no later than 40 days from the date FORUM CREDIT UNION provided the substitute check or from the date of the statement, that shows the problem. In general, you must...

- Describe why you think the charge to your account is incorrect.
- Describe why you believe the original check or a better version of the substitute check is needed to determine whether the substitute check should have been deducted from your account.
- Estimate how much money you lost because of the substitute check. (Include any fees you were charged as a result of the substitute check. Also, alert FORUM CREDIT UNION to any interest you lost, if your account earns interest.)
- Provide a copy of the substitute check, or give FORUM CREDIT UNION information that will help it identify the substitute check and investigate your claim.

## What if I have more questions about substitute checks?

- Contact FORUM CREDIT UNION at 317.558.6000 or 1.800.382.5414
- Visit the online information found at <https://www.mycreditunion.gov/Pages/pocket-cents-what-is-check-21.aspx>
- Contact your state's consumer protection agency or Attorney General's Office for information on state laws that apply to checks and substitute checks

## **Remember . . .**

- When FORUM CREDIT UNION uses substitute checks, your checks may be processed faster. Be sure you have enough money in your account to cover the checks that you write.
- Always review your account statement to make sure the charges are correct.
- If you receive something other than a substitute check, be aware of your rights to resolve errors under other state and federal laws.
- Contact FORUM CREDIT UNION right away if you notice an error in your account.