

## **Understanding the Check 21 Act Federal Reserve Bank Consumer Awareness Disclosure**

Federal law requires financial institutions to provide a disclosure to certain account holders (members). The following questions and answers discuss some aspects of the Check 21 Act that you should know. A comprehensive disclosure follows.

### **IMPORTANT INFORMATION ABOUT YOUR CHECKING ACCOUNT**

#### **Substitute Checks and Your Rights**

##### **What is a substitute check?**

To make check processing faster, federal law permits banks and credit unions to replace original checks with a slightly reduced image of the front and back of the original check. The front of a substitute check states: "This is a legal copy of your check. You can use it the same way you would use the original check." You may use a substitute check as proof of payment just like the original check. Some or all of the checks that you receive back from us may be substitute checks. This notice describes rights you have when you receive substitute checks from us. The rights in this notice do not apply to original checks or to electronic debits to your account. However, you have rights under other laws with respect to those transactions.

##### **What are my rights regarding substitute checks?**

In certain cases, federal law provides a special procedure that allows you to request a refund for losses you suffer if a substitute check is posted to your account (for example, if you think that we withdrew money from your account more than once for the same check). The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and fees that were charged as a result of the withdrawal (e.g., bounced check fees).

The amount of your refund under this procedure is limited to the amount of your loss or the amount of the substitute check, whichever is less. You also are entitled to interest on the amount of your refund if your account is an interest-bearing account. If your loss exceeds the amount of the substitute check, you may be able to recover additional amounts under other laws.

If you use this procedure, you may receive up to \$2,500 of your refund (plus interest if your account earns interest) within 10 business days after we received your claim and the remainder of your refund (plus interest if your account earns interest) not later than 45 calendar days after we received your claim.

We may reverse the refund (including any interest on the refund) if we later are able to demonstrate that the substitute check was correctly posted to your account.

##### **How do I make a claim for a refund?**

If you believe that you have suffered a loss relating to a substitute check that you received and that was posted to your account, please contact us at (313) 389-2300 or 1400 Emmons, Lincoln Park, MI 48146. You must contact us within 40 calendar days of the date that we mailed (or otherwise delivered by a means to which you agreed the substitute check in question or the account statement showing that the substitute check was posted to your account, whichever is later). We will extend this time period if you were not able to make a timely claim because of extraordinary circumstances.

**Your claim must include –**

- A description of why you have suffered a loss (e.g., you think the amount withdrawn was incorrect);
- An estimate of the amount of your loss;
- An explanation of why the substitute check you received is insufficient to confirm that you suffered a loss; and
- A copy of the substitute check and/or the following information to help us identify the substitute check: the check number, the name of the person to whom you wrote the check, the amount of the check, the date check was written).

## **CHECK 21 ACT**

### **What is the Check 21 Act?**

Effective October 28, 2004, The Check Clearing for the 21st Century Act (Check 21 Act) makes a legal change to what constitutes a check or share draft. The Check 21 Act states that a paper reproduction of an original check (in a certain format, with appropriate disclosures and warranties) is the legal equivalent of the original check. The paper reproduction is called a "substitute check" (also known as an Image Replacement Document or IRD).

### **What does a substitute check look like?**

A substituted check is a paper reproduction of an original check or share draft. An example of a substitute check (front and back) is displayed above.

### **After the effective date, will checks clear faster than they do today?**

The Check 21 Act provisions are expected to speed up the time it takes for financial institutions to process checks. Over time, checks should clear faster.

### **Can I refuse to accept substitute checks?**

No. The Check 21 Act requires everyone to accept a properly prepared substitute check as if it were the original check. This includes a retailer or service provider accepting a copy of a substitute check as proof of payment.

### **What if the substitute check is not an accurate image of the check I wrote?**

The Check 21 Act provides consumers with specific rights and obligates financial institutions to take certain actions with regard to substitute checks. If you believe a substitute check is not accurate, contact us immediately. We will investigate the matter and recredit your account as necessary.

### **How much time do I have to contact you and make a substitute check claim?**

Unless there are extenuating circumstances, you have 40 calendar days after the date (1) your affected account statement was delivered to you or (2) the substitute check was made available to you, whichever is later.

### **As a business account holder, do I have the same rights as a consumer when making a substitute check claim?**

No. The recredit provisions of the Check 21 Act only apply to claims made by consumers.

**What changes might I see with regard to my share draft account because of the Check 21 Act?**

If you request a copy of one of your cleared share drafts, you may receive a copy of a substitute check.

**If I deposit a check that is written to me and it is returned to me unpaid, will I get the original check back?**

Possibly. You will receive either the original check or a substitute check. If you receive a substitute check, it can be used the same way as the original check.

**What if I have other questions about the Check 21 Act?**

If you have additional questions, please contact LPCCU at (313) 389-2300.