



What You Should Know about Your Checks

Checking Accounts Have Changed

- Checks are being processed more quickly these days. Faster processing means that when you write a check, the money may be deducted from your account sooner. Be sure you have enough money in your account at the time you write a check.
- The items listed on your checking account statement may look different from one another. Some items may be listed by check number, and others may be listed by the name of the company you paid. Always review all of the charges listed on your account statement to make sure they match your receipts or records.
- Some consumers get their canceled checks back in their account statements. Some of the banks that return canceled checks charge a fee for that service.
- Some banks do not return checks at all. Consumers who need a canceled check to prove that they made a payment can ask for copies of their checks. Some banks charge a fee for these copies.
- If you have questions about how your checks are processed, contact your bank, savings and loan, or credit union.

Check 21 and Substitute Checks

- To make check processing faster, many banks no longer send paper checks to other banks to receive payment. Instead, these banks exchange payment information electronically.
- A federal law, known as Check 21 (effective October 28, 2004), makes it easier for banks to electronically transfer check images instead of physically transfer paper checks. Check 21 permits banks to replace original checks with “substitute checks.” Substitute checks are special paper copies of the front and back of the original check. 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.” You can use a substitute check as proof of payment just as you would use an original check.
- If your canceled checks are returned with your regular account statement or if you request copies of canceled checks, you may receive a mix of original checks and substitute checks.
- Under state and federal law, you are protected against errors in your account, whether you receive canceled checks (original checks, substitute checks, or both) with your account statement, an account statement showing images of the checks you have written, or an account statement that simply describes your canceled checks.



Front of a substitute check



Back of a substitute check

- If you receive a substitute check and there is a problem or error with the check that causes you to lose money, Check 21 provides a special procedure that permits you to ask for a refund (called an “expedited recredit”). This special procedure applies to substitute checks only. (See “Consumer Guide to Check 21 and Substitute Checks.” www.federalreserve.gov/pubs/check21/consumer_guide.htm)

Electronic Check Conversion

- Sometimes, when you write a check to buy something at a store or to pay a bill, your check is used as a source of information to make a one-time electronic payment from your account. In this procedure, called “electronic check conversion,” your paper check will not be processed as a check. Instead, the payment will be debited from your account as an electronic fund transfer.
- You must receive a notice if a merchant or anyone else you are paying plans to use your check for electronic check conversion. For example, if you are at a store, you may see the notice on a sign, or you may be asked to sign a written notice. If you mail a check to pay a bill, you may see the notice on an insert with your monthly bill, or the notice may be on the bill itself.
- You will probably experience the following if your check is used for electronic check conversion: If you write a check at a store, your check may be stamped “void” and handed back to you with a receipt. If you mail a check to pay a utility bill, the utility company will keep a copy of your check as a record but will destroy the original so that you won’t be charged more than once for the same bill. Your check will not be returned to you. When you receive your account statement, both of these electronic check conversions should be listed.
- As you do in other electronic fund transfers, you have certain rights when your check is processed as an electronic check-conversion transaction. These rights include the right to have your bank investigate errors (called “error resolution”). If you mailed a check to pay a bill and need a copy of the check to resolve a dispute or to prove you made a payment, you may contact the company you paid. Your bank can also help you to get a copy of a check. (See “When Is Your Check Not a Check? Electronic Check Conversion.” www.federalreserve.gov/pubs/checkconv/default.htm)