

## WHAT ARE YOUR 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 the wrong amount from your account or 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 The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and fees that were charged as a result of the withdrawal (for example, bounced check fees).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 dividends on the amount of your refund if your account is a dividend-bearing account. If your loss exceeds the amount of the substitute check, you may be able to recover additional amounts under other law.

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

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

## HOW DO YOU 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 write to us at the address listed on your statement. 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- **A description** of why you have suffered a loss (for example, you think the amount withdrawn was incorrect);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** or information to help us identify the substitute check (for example the check number, the name of the person to whom you wrote the check, and the amount of the check).



Stock No. 25739C-PRO [cuna.org](http://cuna.org)

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Your Rights  
When You  
Write a Check

Before debit cards and online access, most of us paid our bills by writing paper checks. Back then, there was a little cushion time. You know—



you write a check Saturday hoping it won't be deducted from your account until Tuesday or Wednesday. Checks are still around, but that cushion is gone.

Passed in 2003 and enacted in 2004, the Check Clearing for the 21st Century Act (Check 21 Act) cut the time it takes a check to clear from days to hours.

Additionally, the Check 21 Act allows financial institutions to send checks electronically to each other, "truncating" the movement of paper checks by converting them to electronic files. This converted paper check is called a "substitute check." More than a photocopy, a substitute check qualifies as the legal equivalent of the original check.

### WHEN WILL YOU SEE A SUBSTITUTE CHECK?

A substitute check looks like the check you've written, but is somewhat smaller in size and on different paper stock. The front and back contain all the information that appeared on the original check at the time it was truncated.

Here's when you might receive a substitute check:

- **If you occasionally request** a copy of one of your paid checks/share drafts
- **If you deposit someone's check** into your account, and that check turns out to be a bad check
- **If you have a checking/share draft account** that returns paid original checks

### JANE'S SOFA SAGA: HOW DOES ALL THIS WORK?

Jane writes a check for \$770 to buy a new sofa from Soft Sofa Settees Inc. Soft Sofa deposits her check into its account at Bank A. What happens next may be complicated, but you'll never even know about it. Bank A needs to get the money from Jane's credit union account. Bank A converts Jane's check to an electronic file and electronically sends it for collection to an intermediate Bank B. Bank B electronically collects the funds from Jane's credit union. The credit union may, but doesn't have to, ask Bank B to create a paper substitute check.



Remember that Jane's check, which might have taken days to travel around in paper form before reaching the credit union before the Check 21 Act, could arrive for payment in a matter of hours. Jane won't know if her check will travel a paper or electronic route, so she better have \$770 in her account when she buys that sofa.

What if Jane, after waiting months for her sofa, contacts Soft Sofa, and the salesperson says he doesn't know anything about her order? Jane, of course, says she's paid for the sofa, which Soft Sofa disputes. Jane can request from her credit union a substitute check, which has an image of the front and back of the original check showing that Soft Sofa deposited her check into its account months ago, and includes a sentence that the substitute is the legal equivalent of the original check. Jane can use this substitute check to prove to Soft Sofa that she has paid—or to take Soft Sofa to court, if it comes to that.

Say Jane's \$770 check to Soft Sofa is converted to an electronic file along the way, and reconverted to a substitute check for the credit union, but somehow the amount charged to Jane's checking account is \$990. The Check 21 Act spells out Jane's rights to file a claim for an expedited refund for the \$220, any dividends she may be owed on this amount, and a refund of any fees she may have been charged because of this problem.

Your credit union wants you to know your rights concerning substitute checks. Read on for a full disclosure.

### WHAT IS A SUBSTITUTE CHECK?

To make check processing faster, federal law permits banks to replace original checks with "substitute checks." These checks are similar in size to 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 law with respect to those transactions.