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THE CHECK 21 Act

Important New Legislation
Concerning Your Checking Account



New Federal Reserve Regulation to Take Effect

On October 28, 2004, the Federal Reserve Board will implement a new regulation called the “Check Clearing for the 21st Century Act” (Check 21). This regulation is intended to make the movement of checks through the Federal Reserve System more efficient. It permits financial institutions to truncate (not return) paper checks and create a new negotiable instrument called a “substitute check.” Substitute checks are legal equivalents of original checks and include all of the same information.

You will not see substitute checks very often. But you may see them, for example, if you request a copy of a check or if a check is returned to you unpaid. To qualify as a substitute check, the document must contain an image of the front and back of the original check; include the MICR line information as it appears on the bottom of the check; conform to industry standards for substitute checks; and be as suitable for automated processing as the original. You can use the substitute check in the same way that you would use the original check if it is an accurate representation of the original check and bears the statement, “This is a legal copy of your check. You can use it the same way you would use the original check.”

The most noticeable way that Check 21 affects you is that checks you write could clear sooner than before, increasing the risk that your checks will be returned if sufficient funds are not in your account when the checks are written. You are urged to always be sure appropriate funds are available in your account prior to writing checks.

Disclosures

DEFINITION OF A SUBSTITUTE CHECK

A substitute check is a copy of an original check that acts like an original check for all intents and purposes. It will legally be accepted as proof of payment if it includes an accurate copy of the front and back of the original check and contains the words: "This is a legal copy of your check. You can use it the same way you would use the original check." Generally a substitute check that meets these requirements is subject to federal and state laws that apply to an original check. If you lose money because you received a substitute check, you have the right under Federal law to file a claim for an expedited refund.

YOUR RIGHT TO FILE A CLAIM

- The substitute check was incorrectly charged to your account;
- You lost money as a result of the substitute check charge to your account; and
- You need the original check or a better copy of the original check to demonstrate that we incorrectly charged your account.

LIMITS ON EXPEDITED REFUNDS

To obtain an expedited refund, you must send a claim to the credit union. Federal Law limits an expedited refund to the amount of your loss-up to the amount of the substitute check, plus interest (if the error caused a loss of interest on your account). Other state and federal laws may entitle you to additional amounts.

HOW TO MAKE YOUR CLAIM

Please make your claim by calling, writing, or emailing the credit union. You must make your claim within 40 calendar days of one of the following dates (whichever is later):

1. The date that we delivered the account statement showing the charge that you are disputing or
2. The date on which we made the substitute check available to you.

If there is a good reason (such as being away on an extended trip or being hospitalized) that you cannot make your claim by the required day, we will allow additional time.

INFORMATION NEEDED FOR THE EXPEDITED CLAIM

- Give a description of why you think the charge to your account was incorrect;
- Provide an estimate of how much money you may have lost because of the substitute check charge;
- Explain why the substitute check is not sufficient to show whether or not the charge to your account was correct; and
- Give us a copy of the substitute check or provide us with information that will help us investigate your claim (such as the check number, the amount and the name of the person to whom the check was written).

HANDLING YOUR CLAIM: CREDIT UNION RESPONSIBILITIES

We will promptly investigate your claim. If we conclude that we incorrectly charged your account, we will refund to your account the amount of your claim (up to the amount of the substitute check, plus any interest you would have earned) within one business day of making that decision. If we conclude that we correctly charged your account, we will send you a notice that explains the reason for our decision and includes either the original check or a better copy of the original check than the one you already received. If we have not made a decision on your claim within 10 business days after you submitted it, we will refund the amount that we owe to your account, up to \$2,500, plus interest by that date. We will refund the remaining amount, if any, plus interest to your account by the 45th calendar day after you submitted your claim. If we refund your account, on the next business day we will send you a notice that tells you the amount of your refund and the date on which you may withdraw that amount. Normally you may withdraw your refund on the business day after we make it. In limited cases, we may delay your ability to withdraw up to the first \$2,500 of the refund until the earlier of these two dates: (1) The business day after we determine that your claim is valid; or (2) The 45th calendar day after the day that you submitted your claim.

REVERSING THE REFUND

We may reverse any refund if we later determine that the substitute check was correctly charged to your account, including any interest refund you were given. Within one business day after we reverse a refund, we will send you the original check or a better copy of the original check than the one you previously received, explain to you why the substitute check was correctly charged to your account and tell you the amount and date of the reversal.



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