

Chicago Municipal Employees



DISCLOSURES

Check 21 Substitute Check Policy

SUBSTITUTE CHECKS AND YOUR RIGHTS

What is a substitute check?

Effective Oct. 28, 2004 in order to make check processing faster, federal law permits financial institutions 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.

Not all copies of a check are substitute checks. For example, pictures of multiple checks printed on a page (also known as an image statement) that is returned to you with your monthly statement are not substitute checks. 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 your credit union has paid a check.



Image statement

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 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 The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and Chicago Municipal Employee's Credit Union fees that were charged as a result of the withdrawal (for example, NSF check fees). The amount of your refund under this procedure may be limited to the amount of your loss or the amount of the substitute check, whichever is less. The Credit Union will not be responsible for other losses or fees incurred due to processing errors by other financial institutions. Those claims must be submitted to the receiving financial institution that processed your check originally. You 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 laws.

If you use this procedure, you may receive up to \$2,500 of your refund (plus, dividends if your account earns dividends) within ten (10) business days after

we receive your claim and the remainder of your refund (plus dividends, if applicable) not later than forty-five (45) calendar days after we receive your claim.

However, we may reverse the refund (including any dividends 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 credit union account in error, please contact us at Chicago Municipal Employees Credit Union, 18 S Michigan Ave, Suite 1000, Chicago, IL. 60603, phone number 312-236-2326. You must contact us within forty (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; and
- An explanation of why the substitute check you received is insufficient to confirm that you suffered a loss.
- A copy of the substitute check or the following check information to help us identify the substitute check: (check number, payee, amount and date of check).

What if I have more questions about substitute checks?

Contact your Chicago Municipal Employees Credit Union.

Visit the online information on [Check 21](#).

CHECK 21 FAQ'S

What is Check 21?

- The Check Clearing for the 21st Century Act, commonly referred to as "Check 21" is legislation that will revolutionize the check processing world. Signed into law on

October 28, 2003, and effective one year later, the new law will facilitate the cost efficiencies of check truncation. Check 21 encourages image based processing and truncation. This law does not mandate truncation, it mandates that a financial institution:

- Accept substitute checks
- Treat substitute checks as legal equivalents of an original paper check
- Provide informational notices to consumers
- Adopt new expedited re-credit procedures for substitute checks

Specifically, the act creates a new legal instrument called a "substitute check", which allows financial institutions to truncate the original paper check to process the check information electronically and to deliver substitute checks to financial institutions that want to continue receiving paper checks.

Under the act, a financial institution no longer can demand the original paper check, but instead receive a substitute check. Because substitute checks could be processed just like original paper checks, a financial institution would not need to invest in new technology or otherwise change its current check processing operations.

What is Truncation?

- Truncation is the removal of an original paper check from the collection process. The check information is captured electronically in a data file and the original paper check is destroyed. When a check is truncated, the recipient does not receive their original paper check back.

What is a "Substitute Check" ?

- A substitute check is a paper image of an original paper check that has all the legal rights as the original paper check. A substitute check must contain an image of the front and back of the original paper check, bear all the information appearing on the MICR line of the original check, conform in paper stock and dimension, be suitable for automated processing, and contain the words: "This is a legal copy of your check." You can use it in the same way you would use the original check.

What does a substitute check look like?

- A substitute check is approximately 3.75 X 8.5, contains a leading "4" in the MICR line and includes an image of the original paper check (front and back) with additional endorsements such as the reconverting bank, bank of first deposit and truncating bank routing number and a legend.

What is a reconverting bank?

- A reconverting bank is the financial institution that created the substitute check or the first financial institution that transfers or presents the substitute check for payment.

What will be the impact on members?

- Faster clearing times
- Faster return check notification (NSF, stop payment, etc.)
- Reduced check float time
- Returned check may be a substitute check (returned to member due to...)
- Copies of paid checks may be copies of substitute checks