

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 law.

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. 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- ✓ **A description of why you have suffered a loss (for example, you think the amount withdrawn was incorrect);**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 [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.**

If You Experience Problems With Your Account...

Whenever you have a question or problem regarding your accounts you should contact your credit union immediately, including if you want to make a claim for an expedited refund. See the section of this brochure entitled “How to make a claim for a refund” for more details.



Presented by the National Association of Federal Credit Unions, an independent trade association representing federally chartered credit unions nationwide.

© 2004 FINANCIAL EDUCATION CORPORATION

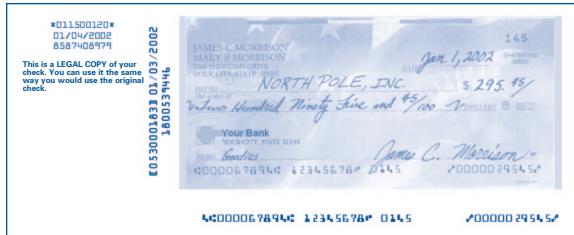
Check 21
and
You

Understanding Substitute Checks

New Federal rules for Check 21 permit financial institutions to replace original checks with “substitute checks.” Here’s what you should know about them.

Checks Are Changing

Starting in October 2004, Federal law will recognize a new type of payment document called a **"substitute check"** that will be used for clearing and settlement. The Check Clearing for the 21st Century Act, the law that makes this possible, will permit quicker processing of checks by allowing financial institutions to convert your checks to electronic images for collection purposes. Once the image is transferred, the financial institution may create, from the image of the original check, a "substitute check." The government, media and industry call this new ability **Check 21**.



Sample substitute check

Why is the government giving a substitute check the same rights as an original check? Over *40 billion* checks are written annually in the United States, and they follow a long, winding journey starting at the time a check is written. When you write a check, your check is cashed or deposited at a financial institution, processed by credit unions or banks and then sent to your credit union for payment. All of this transporting of checks is expensive, costing *billions of dollars a year*.

While the financial industry is working hard to streamline the process and make use of new electronic technology, members will still be able to use the familiar paper check to make payments because the industry is designing a 21st century system that allows paper to work in the electronic world. Here's what to know about Check 21 and you:

► The "float" will disappear...

More rapid processing of checks will mean less float...the time between when a check is written and when it clears. Consumer will want to make sure that adequate funds are in their account when checks are written to avoid potential problems.

► Consumer rights are protected...

Protections for consumers have been built into the law and the regulations. Losses in check fraud cases are typically borne by the credit union or the merchant that dealt with a fraudster that transferred a fraudulent check, not the consumer. Of course, if you ever feel that there are problems with your account, contact your credit union immediately.

► Check 21 should help combat payments fraud...

The faster collection and return of checks facilitated by Check 21 should reduce overall fraud in the check collection system. Credit unions and other financial institutions should be able to collect/return checks faster and utilize new image analysis fraud tools to help identify fraud and errors more quickly.

If You Receive an Actual Substitute Check, Here's What to Know:

What is a substitute check?

To make check processing faster, federal law permits credit unions 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.

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 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 interest on the amount of your refund if