

Minnesota Catholic Credit Union

SUBSTITUTE CHECK POLICY DISCLOSURE

CHECK 21 *New Changes in Check Processing*

How does it affect you?

Passed into law in October 2003, the check clearing for the 21st Century Act - or "Check 21" will bring the nation's check payment system into the digital age and allow consumers to benefit from better and faster financial services.

How does it benefit you?

Improved efficiency in check processing is the main goal of Congress with the enactment of "Check 21". Check 21 will improve today's existing system that forces over 40 billion checks a year to be exchanged physically and often transported around the country several times before the payment cycle is completed. It will:

- Detect fraud faster
- Faster check clearing
- Quicker response
- More secure check information

When did it start?

Check 21 became effective on October 28, 2004. All financial institutions will accept substitute checks the same way they accept paper checks.

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.

Consumer protection

There is protection built into the system. Transactions that are challenged will be resolved usually in less than 10 days.

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 The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and fees that were charged as a result of the withdrawal (for example, bounced check fees).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 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 by mail, phone, fax or email (see below) within 60 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 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, the date the check was written and your account number.

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