

(continued from reverse side)

with an ACH transaction are similar to those provided in Check21.

Customers will still be able to receive cancelled checks...

Customers that receive paper checks with their bank statement will be unaffected, although some items received may be substitute checks.

Paper checks will continue to be processed after October 28th...

Over the next couple of years, most consumers will receive few substitute checks with their monthly account statements. Initially, most of the checks processed as Check21 items will be large dollar items exchanged between banks located a great distance from one another.

Check21 will help combat payments fraud...

The faster collection and return of checks made possible by Check21 should reduce overall fraud in the check collection system. Banks will be able to collect and return checks faster and utilize new image analysis fraud tools to help identify fraud and errors more quickly.

Check21 does not require all checks to be truncated...

Check21 simply allows for the creation and legal equivalency of a substitute check that complies with rigorous industry standards for image quality and completeness.

Consumer rights are protected...

Losses in check fraud cases are typically borne by the bank or the merchant that dealt with the person who transferred a fraudulent check, not the consumer.

Making a Claim for an Expedited Refund

You can make a claim for an expedited refund by contacting your bank. See the section of this brochure entitled "How do I make a claim for a refund," for details.

Community Federal Savings Bank
89-07 Jamaica Avenue
Woodhaven, NY 11421
718-847-6333
Fax 718-847-6444



www.AmericasCommunityBankers.com

Check 21 and You:

Substitute Checks and Your Rights

Federal rules for **Check 21** allow banks to replace original checks with "substitute checks." Here are the details about what this means to you.

Substitute Checks and Your Rights

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 laws 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 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 laws.

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.

21st Century Check Processing

Understanding Myth & Fact

The paper check will remain a vital part of the United States' payments system for the foreseeable future. Consumers will continue to be able to use paper checks because the banking industry is designing a 21st century system that allows paper to work in an electronic world.

More and more checks are being processed electronically every day through the use of electronic check conversion and check truncation. Electronic check conversion is the process of changing an original paper check to an electronic payment. Check truncation is the process of removing an original check from the clearing process while sending forward only the information necessary to make your payment. Here are the facts:

Check21 and Electronic Check Conversion are similar, but not the same...

News about the new federal Check21 law and the use of "Substitute Checks" often becomes confused with an alternative method of check processing called "electronic check conversion." With electronic check conversion, businesses may choose to *convert* your check into an electronic payment similar to a debit card transaction that is known as an ACH transaction. These transactions appear on your statement with other electronic debits such as ATM withdrawals and automatic direct debit transactions (e.g., health club dues, telephone bills, monthly investment contributions, etc.). The consumer rights associated

(continued on reverse side)