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BACKGROUND

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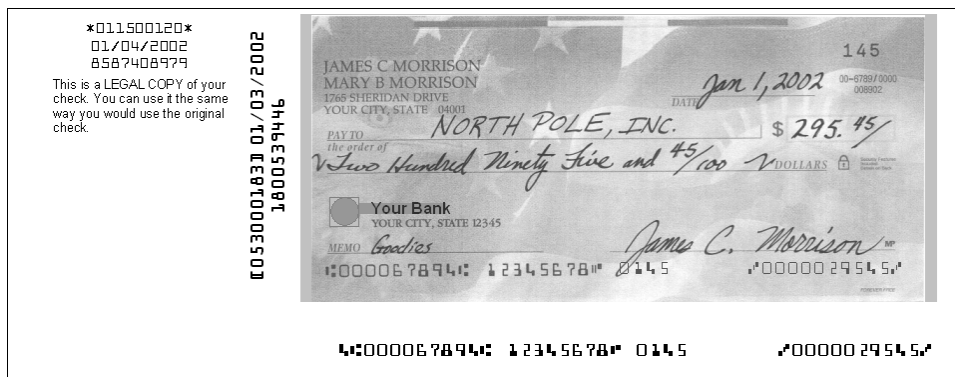
Check 21: Fact Sheet

On Oct. 28, 2003, President Bush signed the Check Clearing for the 21st Century Act, also known as Check 21. Consumers may begin to see changes when this new legislation becomes effective Oct. 28th 2004.

Check 21 streamlines and improves check processing without requiring customers to change the way they write checks. It simply requires banks and customers to accept paper reproductions of original checks. These reproductions are called “substitute checks.”

Check 21 allows banks to exchange check images electronically rather than transporting the physical checks to the paying banks. Before Check 21 legislation was passed, image exchange could only occur if the banks involved had a prior written agreement.

Check 21 creates a new negotiable instrument, the “substitute check,” which can be used for proof of payment and is the legal equivalent of the original check. A substitute check is a paper copy of your original check – both front and back, with all endorsements – and is about the size of a business check.



Currently, most checks must be physically transported across town or across the country before they can be cleared. The new law will foster, the exchange of check images that can travel across the country electronically allowing for more efficient processing, cheaper overhead costs and increased fraud prevention.

Check fraud can be discovered faster with Check 21. Faster detection means faster resolution for the customer, and it may increase the possibility of apprehending the criminal.

Electronic and paper systems will continue to coexist. Check 21 does not mandate electronic check processing; it just makes it possible.

(more)

ABA CHECK 21/P2

Nearly 60 percent (59%) of Americans already don't receive checks with their statements, according to an ABA nationwide telephone poll of 1,000 consumers in Jan. 2004. Other facts from the poll: Only 36 percent still get checks back; 50 percent of older (55+) consumers get their checks back vs. 23 percent of younger (18-34) consumers.

Other Checking Facts:

Banks process more than 40 billion checks each year. In the first comprehensive study in decades, the Federal Reserve reported that 42.9 billion checks, valued at \$39 trillion, were paid in 2001.

The average value per check is \$925, according to the 2002 Federal Reserve Retail Payments Research Project.

Consumers write over half (50.9%) of all checks, according to a 2002 Federal Reserve study. Other categories include: business – 32.3%, government – 3.5%, business or government – 1.3%, unknown – 12%.

Checks make up 15 percent of all consumer payments at the point-of-sale, according to the ABA Consumer Payment Preferences Study (Dec. 2003). Other payments include: cash – 32%, debit cards – 31%, credit cards – 21%, and prepaid cards – 2%.

Attempted check fraud at U.S. banks totaled more than \$4.3 billion in 2001. Actual bank losses totaled \$698 million. Bank prevention systems are credited with preventing more than two-thirds of these potential losses.

The check's first widespread usage was in Holland in the early 1500s. In 1681, the first U.S. checks were used by Boston businessmen that mortgaged their land to a "fund," against which they would write checks.

Image statements are offered by 50.1% of community banks. In addition another 19.2% are planning to offer image statements, according to the ABA Banking Journal's 2003 Community Bank Competitiveness Survey.