



FOR IMMEDIATE RELEASE

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“CHECK 21” LAW BENEFITS BANKS BUT WILL MEAN MORE BOUNCED CHECKS & FEES FOR CONSUMERS

Groups Launch Online Petition to Urge Banks to Make New Check Processing Law More Consumer-Friendly

SAN FRANCISCO, CA – Consumers will be more likely to bounce checks and may find themselves paying higher fees under a new federal law that allows banks to process all checks electronically, consumer groups warned today. Consumer Union and the Consumer Federation of America are urging banks across the country to adopt a set of policies that will make the new “Check 21” law more consumer-friendly when it goes into effect on October 28.

“Consumers should get ready for an October surprise from their banks when this new check processing law is implemented,” said Gail Hillebrand, Senior Attorney with Consumers Union’s West Coast Office. “Banks will save billions under Check 21, but consumers stand to lose out unless banks adopt new policies to protect them.”

The groups have launched an online petition to put pressure on the banks to adopt a set of consumer safeguards for the new law. Consumers can sign the online petition in support of the reforms at: http://cu.convio.net/check_21

Starting in late October, consumers will discover that their bank account statements will come with fewer -- or perhaps none -- of their canceled paper checks, even if they want them. Consumers will enjoy less “float,” meaning that the checks they write will clear faster. Under the new law, checks could clear in hours instead of days. But banks won’t be under any obligation to speed up the processing of checks that consumers deposit into their accounts. That could mean more bounced checks and more overdraft fees paid by consumers. One industry source estimates that, by mid-2005, consumers could be bouncing almost 7 million more checks and paying an additional \$170 million in fees each month.

Check 21 gives consumers a new right to get speedy credit when the bank double debits a check or pays the wrong amount. But consumers are only entitled to this new right if they request and receive a new special copy of the check called a substitute check.

The aim of the new law is to let banks use electronic-check processing efficiencies to cut up to an estimated \$2 billion a year from the cost of moving, clearing, and returning paper checks.

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Unfortunately, the law does not require banks to pass any of those savings on to their customers and banks may charge new fees for substitute checks.

In letters sent to the nation's top banks, Consumers Union and the Consumer Federation of America urged them to adopt a set of policies that would make Check 21 more consumer-friendly, including:

- ? Don't use Check 21 to bounce more checks. Give consumers the benefit of faster check clearing by crediting consumer accounts when the check clears, even if the law allows you to wait longer for deposited checks. And help consumers get used to this new law by suspending bounced check fees during the first two months of implementation.
- ? Promise to return funds to a consumer's checking account within ten business days when something goes wrong with a check no matter how the check was processed and no matter what kind of copy of the check the consumer receives.
- ? Don't charge a fee for substitute checks, the special kind of copy that replaces an original cancelled check.
- ? Offer an account that returns substitute checks every month for no more than the price the bank has been charging for an account that returns original checks.

“Banks shouldn't use this new law as an excuse to bounce more checks, charge more fees, or provide customers with unequal protection depending on how their checks have been processed,” said Jean Ann Fox, Director of Consumer Protection for Consumer Federation of America. “We urge banks to adopt these reforms to make Check 21 less disruptive and onerous for consumers.”

The letter sent by Consumers Union and the Consumer Federation of America to large banks can be found at: http://www.consumersunion.org/pub/core_financial_services/001317.html

A fact sheet on the new law is available at:
<http://www.consumersunion.org/finance/ckclear1002.htm>

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