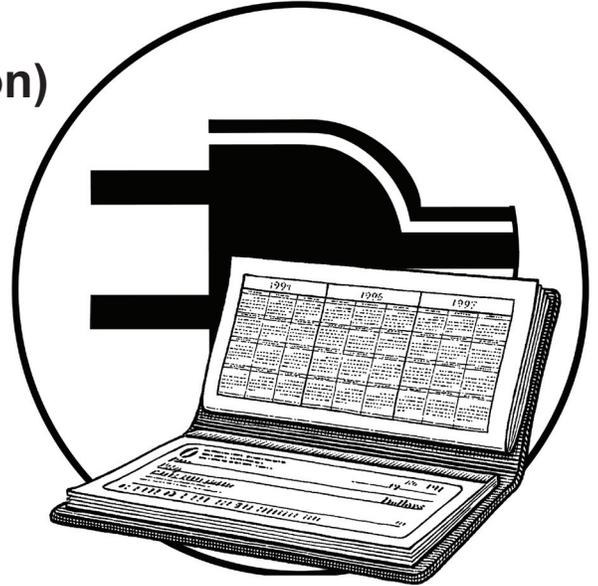


FTC FACTS for Consumers

E-Checks

(Electronic Check Conversion)



The next time you write a check to your local merchant, the cashier

may hand it back to you after it's been processed — electronically. Or maybe you're mailing a check as payment to a company. That payment, too, may be processed electronically. Why? More merchants and companies are using e-checks, also known as electronic check conversion, which converts information from your paper check into an electronic payment from your bank account. In fact, NACHA — the Electronic Payments Association — estimates that more than 738 million paper checks were converted into e-checks through in-store and mail-in transactions through the first nine months of 2004.

How does electronic check conversion work?

When you give your check to a store cashier, the check is processed through an electronic system that captures your bank account information and the amount of the check. Once the check is processed, you're asked to sign a receipt and you get a copy for your records. When your check has been processed and returned to you, it should be voided or marked by the merchant so that it can't be used again. The merchant presents the processed check information to your bank or other financial institution electronically, and the funds are transferred into the merchant's account.

Facts for Consumers

Electronic check conversion also is being used for checks you mail to pay for a purchase or to pay on an account. The merchant or company sends your check information through the electronic system, and the funds are transferred into their account.

How will I know if companies I do business with use electronic check conversion?

By law, you must receive notice if your check information will be processed electronically. Notice can be given in different ways: In a store, a merchant might post a sign at the register or give you a written notice. For a mailed check, the company might include the notice on your monthly statement or under its terms and conditions. The notice also should state if the merchant or company will electronically collect from your account a fee — like a “bounced check” fee — if you have insufficient funds to cover the transaction.

Will I get my checks back?

Your financial institution may be unable to give you a duplicate copy of your checks, so it’s important to keep your checks — and receipts — that have been processed electronically in a store, especially if you need proof of payment. In the case of merchants and companies that use electronic check conversion for your mailed checks, you won’t get your check back because the information was transmitted through the process only electronically. However, if you need a copy of the check they processed, you can always ask the merchant or company if they’ll provide it to you. You could also consider using duplicate checks, where you keep a copy of every check you write. There may be an extra charge for duplicate checks, whether you buy them from your financial institution or a check printing company.

Will the e-check payment be shown on my monthly bank statement?

Yes. Your bank statement must show the electronic transaction. It should include the name of the merchant or company, the payment amount, and the

date the payment was electronically transferred from your account. This information may be included in an area other than where your paper checks are listed, so carefully review the entire statement. It’s important to keep your bank statements; they can be used as proof of payment for your transactions.

What does electronic check conversion mean to me?

There may be no float on your check. That means, if you write a check today, you need to have funds in your account today to cover it. If you don’t, your check may bounce and you may be charged a fee by the merchant, your financial institution, or both. Bounced checks can blemish your credit record. If you’re concerned about bounced check fees, you may want to consider overdraft protection or a backup line of credit on your account. Be aware, your financial institution may charge for these services.

What if I find an error on my account?

Promptly review your bank statement for errors. For example, did two e-check payments go through instead of one? Were you charged the wrong amount for the item purchased? You have 60 days from the date your statement was sent to you to notify your financial institution of any errors. Your financial institution might take up to 45 days from the date you notify it to investigate the situation. In most instances, if it will take more than 10 business days, your financial institution must credit your account while it investigates the error.

What if I find unauthorized transactions involving e-check payments on my account?

Generally, if you find unauthorized e-check payments on your account (or someone has fraudulently obtained your banking account information), notify your financial institution immediately. Your level of loss depends on how quickly you report the problem.

Under federal law, for unauthorized e-check payments, you have 60 days to report these transfers after your bank account statement containing the problem is mailed to you. If you fail to report the unauthorized transfers within this time period, you risk losing all the money in your account and the unused portion of your maximum line of credit for overdrafts. It's also a good idea to report problems regarding any loss or theft of your checks immediately.

Contact your financial institution about any additional limits on liability they may offer.

Keeping Close Tabs on Your Account

The Federal Trade Commission suggests that you:

- Keep track of deposits. Make sure you record all deposits to your checking account in your checkbook immediately. When you make deposits, save the receipts. They can help resolve mistakes.
- Remember to record all automatic or Electronic Fund Transfer (EFT) deposits, such as your paycheck, in your checkbook when they're credited to your account.
- Keep track of withdrawals. Immediately record your transactions. This includes: checks you write; ATM withdrawals; all automatic payments, including electronic check conversion, debit card payments at the point of sale, and other direct payments; and fees or service charges, including ATM fees.
- Promptly balance your account when your statement arrives. This means reconciling the information you have recorded in your checkbook against the statement your financial institution sends to you. Review your entire bank statement; checks processed electronically may be recorded in an area other than where your paper checks are listed, such as under "other withdrawals."
- Review your statement to be sure checks were only processed electronically once and for the

correct amount. If your account won't balance, and you can't find the error, promptly call your financial institution for help.

- Be especially careful with telephone and online transactions. If a merchant or company lets you make a payment using check information for a phone or Web transaction, they should inform you that they will process your payment electronically. Your bank and checking account numbers will be requested as they appear at the bottom of your check, along with permission to charge the account for the item you're paying for. Your transaction will then be processed and the funds withdrawn from your account and deposited in the merchant or company's account electronically.
- Be especially cautious about sharing your bank and checking account numbers. Do not give out personal information — particularly on the telephone, by e-mail or otherwise online — unless you have initiated the contact or know who you're dealing with. Scam artists can use your personal information to commit fraud — such as identity theft. That's where someone uses your personal information, such as your checking account number, Social Security number, mother's maiden name, or birth date, without your knowledge or permission, to commit fraud or theft.

For More Information

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Facts for Consumers

FEDERAL TRADE COMMISSION	www.ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer and Business Education

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