

ACH vs. Check 21

	Check Conversion*	Check 21* (Also referred to as Check Truncation)
What it is...	Paper check payment is converted to an ACH electronic payment.	Paper check payment is imaged. The image is later converted into a substitute check. The substitute check is used in the paper check collection system.
How it works...	<ol style="list-style-type: none"> 1. Paper check is presented by check writer to merchant as payment. 2. Using MICR scanner (or imager), merchant scans MICR data from check. (Some programs allow for manual entry of MICR DATA) 3. Processor transmits MICR data through the ACH Network to debit the customer's account. 4. Based on the Rules* (per SEC Code) the check is returned to the check writer at the time of payment or is destroyed by merchant after conversion (where dictated by requirements). 5. These transactions flow through the ACH Network. 	<ol style="list-style-type: none"> 1. Paper check is presented by check writer to merchant as payment. 2. Paper check is captured and converted into a digital image. 3. The recovering bank uses the digital image to create a substitute check, which is a reproduction of the original check (front and back). 4. Some banks choose to exchange images. The substitute check must bear the following: "This is a legal copy of your check. You can use it the same way you would use the original check." 5. These transactions flow through the check clearing process; not the ACH Network.
Types of checks eligible...	Personal Checks only (or business checks without the Auxiliary On Us Field) -drawn on U.S. Banks in U.S. dollars	All checks -drawn on U.S. Banks in U.S. dollars
Legislative body and applicable Rules...	National Automated Clearing House Association (NACHA) and NACHA Operating Rules; Electronic Funds Transfer Act; Regulation E	Check Clearing for the 21st Century Act; Regulation CC; UCC (Uniform Commercial Code)
Is authorization required from check writer?	Yes	No
Does the check writer have right of refusal to allow conversion or truncation?	Yes, check writer must be allowed to "opt out" if they choose.	No
Maximum number of presentments	3	2
Can a receiving bank choose not to receive these transactions?	No; all RDFIs must accept these transactions (Note: Banks classified as Receiving Depository Financial Institutions are participants in the ACH network and therefore must accept an ACH transaction)	No; all paying banks must accept substitute checks (but are not required to accept check image files)

* All processes are described as they relate to GETI's programs, not how a financial institution might use similar products.