

Check 21 and the Future of Checks

Recently, Blast offered an overview of proposed "Check 21". Now that the law has been passed and will be implemented on October 28, 2004, we want to update you on what the law will mean.

THE LAW AND YOUR BANK

Everyday, millions of physical checks are transported between banks as they are presented for payment. Then about 1.5% of them are returned unpaid to the bank of deposit. Much of this shuffling of paper is conducted via air transport, which, with the grounding of planes during the 9/11 crisis, brought out one of the problems with this system. However, even in normal times, the process is inefficient and costly.

With Congress' passage of Check 21 legislation, banks will no longer be required to present the original check to the payor's bank. Instead, the bank of deposit will image the checks at the branch and then process the images electronically through the banking system (No more packing up bundles of paper checks and sending them around the country).

"REMOTE DEPOSIT" FOR MERCHANTS

Since banks will no longer need to present paper checks for payment, one bank has already announced they will offer image-based "remote deposit" services to merchant customers. Under this scenario, merchants will image checks received from their customers and then upload the images to the bank, along with an electronic deposit slip.

In theory, this will be more efficient for merchants who accept checks, whether at the Point of Sale or by mail. One important part of the equation that needs to be considered is cost. The Federal Reserve has not yet determined costs to banks, and so banks cannot know the fees they would charge merchants.

WHAT IS BANCTECH'S POSITION IN THIS UPCOMING CHANGE?

- We are evaluating whether or not a business case can be made to develop Check 21-compliant imaging and remote deposit service for merchants. We are proud of offering a complete suite of check services, but it is still unclear how much Remote Deposit will add to our existing services.
- BancTech's electronic check services that process paper checks electronically through the Automated Clearing House already offer much of the same utility as Check 21 remote deposit.
- BancTech's check services provide the added risk protections of authorization, using either the NCN database of 160 million accounts, or, in the case of the Visa POS Check service, real-time authorization from the bank accounts of consumers.

While the jury is out on how the industry in general will adapt the Check 21 services, you can be assured that BancTech will continue to offer a complete suite of check services to meet your needs.

Only 19% of Americans Plan to Charge Vacations

With five out of 10 Americans planning to take summer vacations this year, only 19 percent are going to pay for their trips using credit cards. This is down from 23 percent who did so last year, according to Cambridge Consumer Credit Index.

Seventy-four percent of vacationers plan to pay for the trip from checking or savings accounts, up 6 points from 68 percent in 2003. Differences in wealth make a major difference in vacation plans, as 70 percent of those earning incomes over \$75,000 will vacation (up from 67 percent last year), while only 39 percent of those earning under

\$25,000 will take a trip, up from 31 percent last year.

"The results of the Cambridge Consumer Credit Index wildcard questions show that more Americans are feeling confident enough to spend money on vacations than last year. In addition, more Americans have the money in their bank accounts to pay for their trips and don't need to borrow, which is another sign of consumer financial strength compared to last year," said Jordan Goodman, spokesperson/financial analyst for Cambridge Consumer Credit Index.

Battle Against Identity Theft Continues

Identity theft is one of the fastest growing crimes in the country today. In 2003, the Federal Trade Commission (FTC) received more than 200,000 identity theft reports. This is a 40 percent increase from 2002, according to the FTC's report on National and State Trends in Fraud & Identity Theft issued on Jan. 22, 2004. In order to combat this growing problem, President Bush signed into law the Identity Theft Penalty Enhancement Act (ITPEA) on July 15, 2004. The ITPEA sets forth mandatory sentencing guidelines for the crime of identity theft.

A person who knowingly and unlawfully transfers, possesses or uses the identification of another individual during and in relation to a felony described in the Act will be sentenced to a term of imprisonment of two years. If the felony committed is a terrorism offense, the person who committed identity theft shall be sentenced to a term of imprisonment of five years.

The Act does not allow the court to place a person convicted under this section on probation. The sentence for an identity theft crime must be served consecutively to any other time served for any violation of law.

If a person is sentenced to imprisonment under another section of law, the time required to be served for the crime of identity theft cannot be used to reduce the sentence for any other offense. If a person commits multiple acts of identity theft, the ITPEA gives the court discretion to sentence the term of imprisonment for multiple offenses to be served concurrently.

Time will tell if the mandatory sentencing structure will act as a deterrent for those who commit the crime of identity theft. The FTC has extensive information available on its Web site at www.ftc.gov regarding how to protect oneself from being a victim of identity theft and how to report the crime of identity theft. The FTC Web site also includes information as to how a business is required to handle an identity theft report received from a consumer.

Q Are there fraud problems during the summer months that I should know about?

A. Unfortunately, those who are out to commit fraud never take a vacation. The potential for fraud is relatively consistent all year round. What you do have to be careful of is making certain that your seasonal help is fully informed on what to watch for to prevent fraud.

Tell your employees to watch out for customers who:

- Seem nervous or take a long time to sign the sales slip.
- Purchase a large quantity of merchandise without regard to size, style, color or price.
- Try to distract you or rush you during the sale.
- Make a purchase, leave, and then return to make more purchases.
- Make a purchase right when the store opens or just as it is closing.

Always verify that the signature on the back of the card matches the cardholder's name embossed on the front and the signature on the sales slip. If the cardholder has failed to sign the back of the card, your employee should ask to see another form of identification.

Employees should also be given basic training on spotting fraudulent cards:

- Verify that the card number is embossed on the front of the card, and that it matches the "reverse italic" card number on the back, as well as the card number that appears on the receipt.
- On Visa cards, make sure that there is a printed 4-digit number under the first four digits of the embossed number.
- Is the hologram on the front of the card real? It should reflect light and seem to move as you rotate the cards.
- Check the magnetic stripe. It should appear smooth and straight with no signs of tampering.

Summer can be a busy season for merchants, and summer help is common. Make sure they are aware of the vital role they play in helping to prevent fraud.