Caitlin Diaz
Exercise 11

In one or two paragraphs, explain what the Check 21 law facilitates and explain what it was intended to accomplish.

The Check 21 law is a federal law that became effective on October 28th, 2004. The Check 21 law was created to enable banks to process more electronic checks and reduce the number of paper checks being deposited. With the advancements of technology, banks now have the ability to capture a picture of the front and bank of a check being deposited, as well as the correlating payment information that goes with it, to electronically deposit the check and to create a legally equivalent substitute check for the paper check. Once a substitute check is created it can then be transferred to any other bank, even a bank that has not agreed to accept checks that are deposited electronically.

When a paper check is deposited at a bank, the paper check often needs to be transported from the bank it was deposited at to the bank that pays it. The cost of handling and transporting these checks is expensive, and the main intent behind passing the Check 21 law was to reduce these costs as well as to make check processing more efficient overall for banks and the customers using them.

Federal Reserve Board - Frequently Asked Questions about Check 21

Check 21 - Foundation (ffiec.gov)