

# THE THUMBPRINT SIGNATURE PROGRAM & CHECK 21

## *Frequently Asked Questions*

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**Q: What is the purpose of the Thumbprint Signature Program and what is a summary of its impact on banking?**

A: The Thumbprint Signature Program was created to provide a simple, effective and inexpensive method for preventing and deterring check fraud. The Thumbprint Signature Program's value lies in its deterrent effect on check fraud. The posted "Thumbprint Signature Participating Member" signs on your bank's front door and teller windows alone will help stop fraud by showing criminals that if they seek to cash a check in your bank, something extra—their fingerprint—will be required. The next stage of fraud deterrence occurs when non-account holders seek to cash a check. In addition to asking for other forms of identification, tellers ask the person to place their thumbprint on the face of the check. At this stage, criminals seeking to cash fraudulent checks will almost certainly decline to put their thumbprint on bogus checks. The key value of the program is deterrence.

**Q: What is the purpose of Check 21 and what will its impact likely be on banking when it takes effect on October 28, 2004?**

A: The purpose of Check 21 is to improve the efficiency of the nation's payments system by facilitating check truncation and authorizing a new negotiable instrument, the "substitute check." Check 21 *allows* checks to be truncated at any point in the payment process but does *not require* banks to truncate checks. Original checks can continue to be presented for collection. While the law does not mandate that banks truncate checks, it does mandate that banks accept substitute paper checks, which must be machine-readable, just like an original check.

**Q: Does Check 21 change the availability of original checks to customers, banks and law enforcement?**

A: Possibly. Before Check 21, there was no legal requirement for banks to keep original checks. Neither Check 21 nor Regulation CC requires banks that truncate checks to retain the original checks. However, state law may require banks to either keep the originals or a copy for a certain period. The Uniform Commercial Code has long stated that banks can *either* retain the originals or destroy them. (*See Uniform Commercial Code* §4-406(b) which requires that "if the items are destroyed, [the bank must] maintain the capacity to furnish legible copies of the items until the expiration of seven years after receipt of the items.") Before Check 21, the bank that *paid* the item got to decide whether to retain original checks or make copies. What changes with Check 21 is that

the bank that converts the check into an electronic image will determine when and how long to retain the original checks. They will make their own risk assessment based on the costs of retention, the check amount, and liability concerns. You still maintain the right to ask for the original check if it is required.

**Q: Does the Thumbprint Signature Program retain its value after Check 21 goes into effect?**

A: Yes. The key value of the program is in its deterrent effect. This was true before Check 21 and will remain so after Check 21 becomes effective. Paper checks will continue to be presented for payment and deposit after Check 21 becomes effective. As before, some of those checks will be fraudulent. Check 21 allows banks to reconvert a check to a “substitute check” at any time in the process; however, the bank that creates the “substitute check” must make warranties and indemnities about the legality of the item. As the implementation of Check 21 moves forward, the original check—with the actual thumbprint—may never leave the depository bank. The Thumbprint Program will then become even more valuable as the time period required to detect and pursue a criminal with the original item is dramatically shortened.