

# State Department Federal Credit Union

## Topics of Interest

### What is that debit on my account??

There are numerous ways in which paper checks can be converted into electronic items. Generally they are converted to electronic debits that flow through the ACH network. ACH comes from the words **A**utomated **C**learing **H**ouse. It's the national network for exchanging electronic payments. If you have your payroll directly deposited you're already using it!

Here are some of the most common electronic checks applications:

**RCK** items are checks that bounced (returned checks) that are represented as an ACH debit. Most all businesses use this process now, as it is the most efficient way for merchants to collect funds to cover returned items. The only notice you'll likely be given is by a small sign posted at the check out counter. Any returned check fee would need to be collected through a separate debit which you would likely authorize via the phone.

**POP** items are checks that are converted to electronic (ACH) debits at the **P**oint of **P**urchase. You'll know that this is happening because generally your original check is scanned and then handed back to you at the check out counter. In many cases you'll be asked to sign the receipt as well. Do not try to reuse the returned check.

**ARC** items are checks that are converted to electronic (ACH) debits after being mailed in for payment. These are considered **a**ccounts **r**eceivable **c**hecks in the industry. Many recipients (generally large billers like credit card companies, department stores, utilities, etc) use this process to more quickly collect the funds they are due. Firms that do this should give you notice of this, generally it's on the bill.

**Perhaps the biggest change is still on the horizon!** Since checks have to be physically delivered to various endpoints around the country via airplane; the halting of all air traffic after the September 11, 2001 terrorist attacks nearly caused a significant ripple in the financial services industry. Therefore, to protect the integrity of our payments process, our legislators have passed Check 21 (short for "the Check Clearing for the 21st Century Act" also know as H.R. 1474).

This new legislation would improve the efficiency of the check payments system by allowing banks (including the Federal Reserve) to exchange checks electronically. This will mean that checks will clear much more quickly and in many case based solely upon the image scanned from the original paper item.

