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### CHECKS NOT IN THE MAIL

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A major banking change in the works will cut the amount of time it takes checks to clear, improve Internet banking services and probably phase out the returning of canceled checks to customers.

The Check Clearing for the 21st Century Act being passed by Congress will save banks millions of dollars in reduced transportation and administrative costs. The fundamental change is simple. Banks will no longer have to send checks bank and forth, they will scan checks into computers and process them electronically.

Beaming the data electronically, rather than sending paper checks on planes, trains and trucks, means the money will come out of the check writer's account faster.

Many banks already have the scanning technology and are using it to improve Internet banking by allowing customers to quickly see images of the front and back of cleared checks online.

First Niagara Bank and HSBC Bank USA have made check images a standard feature of their Web banking products, allowing customers to see images of their cleared checks by simply clicking on an icon.

"This is by far the biggest change we've made that has delighted customers. The wow factor is definitely there," said John T. Camp, senior vice president of personal e-business for HSBC Bank USA. "How many times have you been sitting there at the computer, looking at a check number and amount, and asking yourself 'now who did I write this check to?'"

M&T Bank, KeyBank and Fleet will roll out the feature to local customers soon. The service is available in M&T's Mid-Atlantic region, and the bank is importing the same computer platform to make check images available to Web banking customers in Western New York.

Having the images available on the Internet dramatically reduces the need for customer to get canceled checks returned in monthly statements.

In the current banking system, customers have the option of continuing to receive original checks back in their statements. And 45 million Americans chose to receive those checks, although some have to pay an extra fee for the service.

Under the new law, banks would no longer be obligated to return checks to customers.

Any bank in the process, or the check writer, could demand the item be reconvered from electronic form back into paper. But the bank would simply print an image of the check from the computer, which will legally be called a "substitute check."

So banks could still offer customers the service of having something returned with their statement, but it would likely be either full size or reduced images of these "substitute checks."

Consumers Union has warned the electronic system increases the chance for processing errors, such as debiting the check amount from an account twice.

"It may be impossible to prove that a check has been forged or altered without the original check," according to Janell Mayo Duncan, legislative counsel for Consumers Union.

The group has argued for more consumer protections in the law concerning the recrediting of accounts while disputed check amounts are being investigated and rectified.

Bills allowing electronic check clearing have been passed overwhelmingly by both the House and Senate, but slight differences in the two bills still need to be worked out before it becomes law.

Changing the system gained momentum after the Sept. 11, 2001, terrorist attack. Paper checks stopped moving through the financial system when commercial airlines were grounded for two days.

Banks believe check imaging allows them to offer customers better service. A piece of paper can only be viewed by one person at a time, while an image on a computer system can be viewed simultaneously by many people.

"Right now, if a customer has a question about a check posted to their account and they go into a branch to ask about it, the branch has to call a back office and get the check pulled up on microfiche," said Lin Szenina, senior vice president of the technology and banking division at M&T Bank.

Now the bank employee will simply pull up the check image on the branch computer.

Check images on the Internet will also help business customers with their financial accounting and data storage, Szenina said.

"The nature of the business environment now is real-time access to information. They want access to images of their check transactions on a real-time basis," she said.

The more efficient check-clearing system could eventually make bank microfiche departments obsolete, jeopardizing a handful of jobs at local banks.

For example, HSBC has 40 employees in its microfiche department processing requests for about 175,000 check images a month. Customers can now print copies of any checks written after Jan. 1, 2003, off HSBC's Web site.

Even though the new law is expected to be finalized this year, most of the changes will not be implemented until next year. Setting up computer systems and changing check clearing processes will take banks months to implement.

"We process about 2 million checks a night, so the logistics and architecture are fairly significant in working this out," said Thomas L. Kaiser, senior vice president of item processing for HSBC Bank USA.

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HARRY SCULL JR./Buffalo News

Paula Dallas, operations specialist for deposit services at HSBC Bank, works on daily check sorting.

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