Module 11 – Written Exercise Chapter 11, Exercise #11 (Check 21)

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

Check 21 is short for a law called the Check Clearing for the 21st Century Act that was passed in 2004 (Schneider 489). It was intended to give the banks a quicker repayment of the check amounts used between buyers and retailers. Before Check 21, there was a longer period of time that the paper checks were shifted around for verification to get payment from the customer's account and back to the bank of the merchant. With the Check 21 Act a check being run through the scanned image system (like an electronic funds transfer) gets removed from the customer's account immediately and put into the merchant's account. It cut down more on the customer use of the money as a "grace period" or float between when they wrote the check and when it would clear their bank.

The Check 21 system benefitted the banks, but it hindered those customers that used to count on the float period for the check to "clear". Situations like writing a check during the holidays when the banks were closed, or the day before the paycheck was deposited, could no longer be done. Those merchants using the Check 21 system would be almost instantly removing the money from the customer's account and putting it into their own.

Works Cited

Schneider, Gary P. *Electronic Commerce Twelfth Edition*. Cengage Learning, 2017. book.