

The Check 21 law which is also known as the Check Clearing for the 21st Century Act was created to make the process of clearing checks much faster and more efficient. Before the law, writing a check required actual sending from one bank to another. This can take days which would indicate the money actually left your account later. Check 21 allows banks to process checks electronically using digital images rather than sending the real paper check. This modification accelerates the entire procedure hence hastening the transfer of funds. Should the digital image ever have a problem a "substitute check" can be produced this is a paper copy of the image. This guarantees the transaction can still go through.

Check 21 primary objective was to update and enhance banks' handling of checks. Before this legislation, transferring checks from one bank to another required significant effort and expense. Allowing banks to handle checks electronically under the law helps to speed up and streamline operations. Digital photographs are more difficult to change than paper checks, so it also lowers the likelihood of fraud. It also saves money for banks, which may one day enable them to charge less for their clients. All things considered, the Check 21 legislation was intended to simplify, speed up, secure, and reduce banking for all parties concerned.

Source:

<https://www.federalreserve.gov/paymentsystems/regcc-faq-check21.htm>

<https://www.mbcbank.com/check-21#:~:text=The%20Check%20Clearing%20for%20the,associated%20with%20paper%20check%20processing.>