

IMPORTANT INFORMATION ABOUT YOUR CHECKING ACCOUNT

Substitute Checks and Your Rights

As our customer we think it's important for you to know about substitute checks. As a result, we want to advise you that you may begin to see differences when you receive your account statement with copies of your checks, view your account information online, or request a copy of your original check for proof of payment. The following Substitute Check Disclosure provides information about substitute checks and your rights.

What is a substitute check?

To make check processing faster, federal law permits banks to replace original checks with "substitute checks." These checks are similar in size to original checks with a slightly reduced image of the front and back of the original check. The front of a substitute check states: "This is a legal copy of your check. You can use it the same way you would use the original check." You may use a substitute check as proof of payment just like the original check.

Some or all of the checks that you receive back from us may be substitute checks. This notice describes rights you have when you receive substitute checks from us. The rights in this notice do not apply to original checks or to electronic debits to your account. However, you have rights under other law with respect to those transactions.

What are my rights regarding substitute checks?

In certain cases, federal law provides a special procedure that allows you to request a refund for losses you suffer if a substitute check is posted to your account (for example, if you think that we withdrew the wrong amount from your account or that we withdrew money from your account more than once for the same check). The losses you may attempt to recover under this procedure may include the amount that was withdrawn from your account and fees that were charged as a result of the withdrawal (for example, bounced check fees).

The amount of your refund under this procedure is limited to the amount of your loss or the amount of the substitute check, whichever is less. You also are entitled to interest on the amount of your refund if your account is an interest-bearing account. If your loss exceeds the amount of the substitute check, you may be able to recover additional amounts under other law.

If you use this procedure, you may receive up to \$2,500 of your refund (plus interest if your account earns interest) within 10 business days after we received your claim and the remainder of your refund (plus interest if your account earns interest) not later than 45 calendar days after we received your claim.

We may reverse the refund (including any interest on the refund) if we later are able to demonstrate that the substitute check was correctly posted to your account.

How do I make a claim for a refund?

If you believe that you have suffered a loss relating to a substitute check that you received and that was posted to your account, please contact us at:

First Reliance Bank
Attn: Deposit Operations
2170 W. Palmetto Street
Florence, SC 29501
1-888-543-5510

You must contact us within 60 calendar days of the date that we mailed (or otherwise delivered by a means to which you agreed) the substitute check in question or the account statement showing that the substitute check was posted to your account, whichever is later. We will extend this time period if you were not able to make a timely claim because of extraordinary circumstances.

Your claim must include —

- A description of why you have suffered a loss (for example, you think the amount withdrawn was incorrect);
- An estimate of the amount of your loss;
- An explanation of why the substitute check you received is insufficient to confirm that you suffered a loss; and
- A copy of the substitute check or the following information to help us identify the substitute check: the check number, the amount of the check, the date of the check, and the name of the person to whom you wrote the check.

Provided as a courtesy by



The information in this brochure is taken from the Federal Reserve publication *Consumer Guide to Check 21 and Substitute Checks*. The guide, including a Spanish language version, is available at www.federalreserve.gov/pubs/check21/consumer_guide.htm.

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Your Guide to Check 21 and Substitute Checks

A federal law, known as Check 21, makes it easier for banks to electronically transfer check images instead of physically transferring paper checks. This guide explains your rights under Check 21 as they relate to substitute checks.

First Reliance Bank provides you with images of your original checks with your monthly statements. If a substitute check is issued by another bank, the image of the substitute check will appear with your check statement. As you read the following information, understand that references to substitute checks also refer to the imaged substitute checks you see with your monthly statement.

What are substitute checks?

Substitute checks are special paper copies of the front and back of your original checks that are created to replace the original checks. Overall, a substitute check is slightly larger than the original check.

The front of the substitute checks should state: This is a legal copy of your check. You can use it the same way you would use the original check.

Why do banks create substitute checks?

Some banks find that exchanging electronic images of checks with other banks is faster and more efficient than physically transporting paper checks. In certain circumstances, banks may need to use a paper check. To address this need, Check 21 allows a bank to create and send a substitute check that is made from an electronic image of the original check.

How does Check 21 affect you?

Because First Reliance Bank returns images of your checks with your monthly account statement, Check 21 will have little or no affect on what you see in your statement.

By law, any bank may not pay a check from your account unless you have authorized that payment. You are protected from having your bank pay the same check from your account more than once or having your bank pay the wrong amount. Check 21 does not change these protections. However, Check 21 gives you special rights if you receive a substitute check from your bank.

Can I require my bank to return my original check?

No. In general, the law does not require your bank to return your original check. Many banks destroy original paper checks. Other banks may store original checks for some time period and then destroy them. Check 21 ensures that you have the same legal protections when a substitute check or image is used as you do when you receive an original check.

What should I do if I receive a substitute check and there is a problem?

Check 21 provides a special process that allows you to claim a refund (also known as an expedited recredit) when you receive a substitute check from a bank and you think there is an error because of the substitute check. For example, you may think you were charged twice for the same check.

You may use the special process to get a refund of the money you lost. The amount of your refund under the special process is limited to the amount of your loss or the amount of the substitute check you received, whichever is less, plus interest on that amount if your account earns interest. If your loss is more than the amount of the substitute check, you may have the right under other laws to recover additional amounts of money.

If your bank finds that your claim is valid, you should receive your refund by the next business day after the bank's finding. Unless your bank finds that your claim is not valid, you should receive up to \$2,500 of your refund (plus interest if your account earns interest) within 10 business days after your bank receives your claim. If your bank finds that your claim is not valid, it will send you a notice that explains why.

Your bank may reverse the refund (including any interest on the refund) if it can show that the substitute check did not cause an error in your account.

How do I file a claim under the special refund procedure for substitute checks?

If you notice a problem with a substitute check, you should contact your bank as soon as possible. In general, to use the special refund procedure for substitute checks, you should contact your bank no later than 40 days from the date your bank provided the substitute check or from the date of the statement that shows the problem.

In general, you must

- Describe why you think the charge to your account is incorrect.
- Describe why you believe the original check or a better version of the substitute check is needed to determine whether the substitute check should have been deducted from your account.
- Estimate how much money you lost because of the substitute check. (Include any fees you were charged as a result of the substitute check. Also, alert your bank to any interest you lost, if your account earns interest.)
- Provide a copy of the substitute check, or give your bank information that will help it identify the substitute check and investigate your claim.

What if I have more questions about substitute checks?

Contact your bank.

Visit the online information about Check 21 at www.federalreserve.gov/paymentsystems/truncation.

Contact your state's consumer protection agency or attorney general's office for information about state laws that apply to checks and substitute checks.

Remember...

- When a bank uses substitute checks, your checks may be processed faster. Be sure you have enough money in your account to cover the checks you write.
 - Always review your account statement to make sure the charges are correct.
 - If you receive something other than a substitute check, be aware of your rights to resolve errors under other state and federal laws.
 - Contact your bank immediately if you notice an error in your account.
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