



# CHECK 21 VERSUS ACH AT THE POINT OF SALE

## Benefits of a Check 21 Strategy

### Overview

The most recent Federal Reserve Payment Study from December 2013 indicates that consumers wrote 900 million checks at the point-of-sale in 2012. During the same period, checks represented the lowest percentage of third party fraud in the form of unauthorized transactions. Checks are still the preferred method of payment for some consumers and are less expensive to accept than cards as processing fees are a fixed rate per item vs. a percentage of the sale. Considering these statistics, it is in a merchant's best interest to have a check strategy that allows them to accept checks at the POS and receive payment in the most efficient and cost effective way.

### Electronic Check Processing Options

There are two options for accepting and processing checks in real time at the POS: Check 21 and ACH. Both options convert the paper check into an electronic data stream and have clearing costs below card processing.

#### ACH conversion

Also known as POP (point of presentment), ACH conversion is the elder statesmen of the two, capturing the check's MICR codeline data and converting this information into an ACH transaction. This conversion is governed by NACHA rules, placing some limitations on the process, including what types of checks are eligible to be converted in this manner<sup>1</sup>.

With ACH, customers must be notified that their checks will be converted to an ACH electronic transaction, and have the ability to opt out, which would require the merchant to process the payment as a check.

#### Check 21

The Check 21 act, active since 2004, opened up to American Banks the opportunity of image-based check clearing vs. traditional paper-based, leading to savings, efficiency, and environmental benefits. A Check 21 process requires the Merchant to capture both the check's MICR code line data as well as front and rear image of the item. There are no limitations on the types of checks processed in this manner, as long as they are drawn on US Financial Institutions.

Additionally, Check 21 does not have any opt out provision and provides availability of funds quicker than ACH conversion. Based on these key issues, Check 21 is becoming the preferred method for check processing at the point of sale.

---

<sup>1</sup> Approximately 45.5% of the total checks written in 2012 were estimated to be ineligible for ACH conversion, which tend to be business or government, and checks over \$25,000, according to NACHA rules (*source: 2013 FED Payments Study*).

## Check 21 vs. ACH Comparison

	Check 21	ACH
<b>Clearing Time</b>	Same Day or Next Day	3-5 Working Days
<b>Eligible Items</b>	All checks drawn on US FI's (Consumer Checks, Business Checks, Personal Checks, Cashier's Checks, Money Orders, etc.)	Consumer Checks (If ineligible items are converted, they may be returned and there may be legal and financial liability)
<b>Customer Opt Out</b>	No	Yes
<b>Payment to Merchant</b>	Payment sent directly to Merchant eliminating middleman	Payment sent to Merchant by ACH broker / processor
<b>Check Capture Device</b>	Check Scanner required, to capture MICR codeline and front & rear images of check	Check Reader to capture MICR codeline at minimum – or Check Scanner
<b>Guarantee/Verification</b>	More robust Check Guarantee & Verification services available thanks to check imaging	Limited possibilities without check imaging
<b>Check Image Archive</b>	Merchant can keep an image of the item for future reference or to aid in collection in case the item is returned	Merchant cannot keep an image of the item, even if using a check scanner vs. a check reader
<b>Customer Dispute Timeline</b>	40 days and is filed in-person at customer's bank	60 days and can file over the phone
<b>Governing Body</b>	Check 21 Act, Uniform Commercial Code, Federal and State Check Laws	NACHA rules and the Federal Reserve

## Conclusion

Checks are still a viable form of payment at the POS and carry less fraud risk and processing costs than cards. With faster clearing, no customer opt-out or limitation on check types and similar processing costs, Check 21 is the clear leader in electronic check conversion and should be the cornerstone of your check strategy.

## Panini mI:Deal

Panini has recently launched a revolutionary check scanner with on-board intelligence, the mI:Deal. Its state-of-the-art technology allows the addition of full Check 21 processing capabilities – including MICR reading, duplex imaging, and item front franking to prevent re-resentation and fraud – to *existing* and *new* POS installations and to both *traditional* (POS terminals intended for card processing) and *virtual* (tablet/touch-screen based) as well.

Thanks to the numerous advantages check imaging can bring in the fields of check guarantee, verification and image archiving, the mI:Deal is beneficial even in case the Merchant or the customer prefers the ACH conversion option for check payments. The POS application can even include an automatic least-cost-routing functionality, with the mI:Deal able to easily comply to either alternative.

For more information on the Panini mI:Deal, please visit [www.panini.com](http://www.panini.com).

