

**OPENING STATEMENT OF
CHAIRMAN SPENCER BACHUS
HEARING OF FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
SUBCOMMITTEE ON H.R. 1474, THE "CHECK CLEARING FOR THE 21ST
CENTURY ACT"
APRIL 8, 2003**

The Subcommittee meets today for a legislative hearing on H.R. 1474, the Check Clearing for the 21st Century Act or "Check 21" introduced by two distinguished members of this Subcommittee, the gentle lady from Pennsylvania, Ms. Hart and the gentleman from Tennessee, Mr. Ford. I am also a proud cosponsor of this legislation, as is full Committee Chairman Mike Oxley.

This is the second hearing the Subcommittee has held on this important topic. As with our hearing last year, we are fortunate that the Vice Chairman of the Federal Reserve, the Honorable Roger W. Ferguson, Jr., has joined us to discuss the Federal Reserve Board's views on this issue. We are also joined by a group of distinguished private sector witnesses that will share their views with us.

The Check 21 legislation is intended to modernize the nation's check clearing system by providing an interim step towards allowing banks to exchange checks electronically rather than in paper form. Electronic check imaging and the ability of financial institutions to exchange checks electronically is the first major innovation in the check handling and processing since the invention of the magnetic ink character recognition line in the 1950's.

The consumer and economic benefits that will accrue from this technology are immense. Perhaps the most dramatic example of the need for this legislation was demonstrated in the week after the September 11th terrorist attack. As everyone remembers, for approximately one week after September 11th, planes were not allowed to fly. As a result, the check clearing system suffered from severe disruptions, as the planes that transport checks could not carry the paper checks to the financial institutions on which they were drawn. Bad weather also disrupts the check clearing system on a regular basis.

While the September 11th tragedy provides perhaps the most dramatic illustration of the need for the Check 21 legislation, the legislation is important for many other reasons. Consumers, in particular, will benefit because the legislation will enable depository institutions to offer their customers a host of new products and services. For example, consumers in rural areas may be offered extended deposit hours because financial institutions will be able to transmit the images of the check through the check clearing process, rather than having to send couriers out to remote branches or ATM's to pick up the deposited checks. In addition, consumer and business customers will benefit from quicker collection and return of checks.

Other indirect benefits will occur as well. The Check 21 Act will create a new value proposition for check imaging technology, which will encourage depository institutions to implement check imaging and exchange. Financial institutions that

have already implemented check imaging have learned how pleased their customers are that they can now have instant access to copies of their checks when they visit branches, speak on the phone with customer services representatives, or view pictures of their checks on the Internet. Moreover, this legislation will empower customers to better manage their finances and detect and prevent fraud against their accounts because they are provided more information about their transactions in a shorter time period.

In conclusion, let me acknowledge the work of all of the persons who have contributed to H.R. 1474. First, my thanks go to Chairman Oxley for making this legislation one of the Committee's top priorities. I also want to thank Vice Chairman Ferguson and the Board staff, who first presented the Committee with draft legislation in December 2001, following years of work by the Federal Reserve Board. Also, I commend Ms. Hart and Mr. Ford for introducing this bipartisan legislation and Congressman Mike Ferguson, who sponsored similar legislation with Mr. Ford during the last Congress. Finally, I appreciate all the input that the banks, thrifts, credit unions, technology providers and consumer groups have provided to the Congress on this important issue.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement he would like to make.