The SPEAKER pro tempore. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 1329

Mr. STUPAK. Mr. Speaker, I ask unanimous consent to have my name removed as a cosponsor of H.R. 1329.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

GENERAL LEAVE

Mr. BACHUS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1474.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

CHECK CLEARING FOR THE 21ST CENTURY ACT

The SPEAKER pro tempore. Pursuant to House Resolution 256 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1474.

□ 1210

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1474) to facilitate check truncation by authorizing substitute checks, to foster innovation in the check collection system without mandating receipt of checks in electronic form, and to improve the overall efficiency of the Nation's payments system, and for other purposes, with Mr. LAHOOD in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Alabama (Mr. BACHUS) and the gentleman from Massachusetts (Mr. FRANK) each will control 30 minutes.

The Chair recognizes the gentleman from Alabama (Mr. BACHUS).

Mr. BACHUS. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Pennsylvania (Ms. HART).

(Ms. HART asked and was given permission to revise and extend her remarks.)

Ms. HART. Mr. Chairman, I rise in support of H.R. 1474.

A lot of people are not familiar with the legislation. We have been calling it ''check truncation.'' The official title is Check Clearing for the 21st Century Act. Our truncated name is Check 21.

This legislation holds the promise of a more efficient check collection system by removing legal barriers to the full utilization of new technologies. It is a win for consumers. It is a win for the financial services industry. It will empower banks to help prevent fraud. It will empower consumers to have more control over their accounts and more efficiency in the transfer of their funds.

Our current check system's legal framework has not kept up with technological advances and has constrained the efforts of many banks to use innovations like digital check imaging to improve check processing efficiency, providing improved service to customers and substantial reductions in transportation and other check processing costs.

This digital check imaging looks like a check. It simply is a copy that is transferable digitally, transferable more quickly, than a paper check. It also can be copied and utilized just like a canceled check.

It is important to implement the technological advances made in the field of payment systems so that we provide customers with expedited access to capital, to credit, yet they will be ensured that they are protected from fraud.

This legislation permits banks, credit unions and other financial institutions to truncate checks, just simply not have to transport that canceled check. It allows them to process and clear checks electronically, without moving those paper checks to clearinghouses and returning the original cancelled checks to customers.

□ 1215

The problem with the current system is that over and over these checks are processed, and it takes a lot of time. It requires physical delivery of the check from the institution of deposit through an intermediary, such as clearinghouses or the Federal Reserve Bank, to the bank of the customer who wrote the check before it can be paid. Each step of this inefficient process relies on the physical transportation of that check, resulting in billions of checks being driven or flown across the country every day.

The problem with this legal framework was highlighted in the days following the September 11 attacks when the Nation's planes were grounded, and the flow of checks transported by air came to a complete stop. During that time, the Federal Reserve's daily check float grew from its normal few hundred million dollars to over $47 billion.

Under current law, banks, credit unions, and other financial institutions are unable to truncate checks. They are only able to truncate checks if they have special arrangements with other institutions that are part of the transaction. There are over 15,000 banks, thrifts, and credit unions, and they are all negotiating separate agreements among themselves, so it is impossible to follow and keep in touch with all of those, even for the most diligent financial institution.

The way this bill would work, a Pennsylvania bank would no longer have to ship a check drawn on a California bank all the way across the country in order for it to clear, for it to be processed, and for the actual payment of the check. This is done by creating a new negotiable instrument called a substitute check.

Again, the substitute check would permit banks to truncate the original check; and it would process the information electronically, immediately, and print and deliver the substitute checks to banks and bank customers. So the customer who wishes to retain that record, such as a canceled check, would have something that looks just like it.

This shows exactly what that substitute check looks like. It looks familiar, does it not? It is just an identical copy of a canceled check.

This is the legal equivalent of the original check under our legislation. It would include all the information contained on the original check and the image of the front and back of the original check, as well as the machine-readable numbers which appear on the bottom of the check. And because the substitute check can be processed just like an original check, a bank would not need to invest in any new technology or otherwise change its current check processing operation, unless the bank chooses to update its technology.

Consumers benefit, and this is the most important part of the legislation. Customers maintain the same protections that they have with this law as they have with their original check. Reducing processing costs will result in efficiency gains and expedited services for customers. Accessing images of checks will take a fraction of the time that it currently takes to access microfilm or the physical archives or the canceled check itself. Customers will no longer have to wait for a copy of the check to be obtained from a central processing facility or the microfilm library.

Institutions that have already implemented this check imaging technology offer their customers a wide variety of ways to access these images, including in person at branches as they would today, or through the mail but also over the Internet and in image statements and advanced ATMs. So, for the customer, this is just a wonderful boost.

Customers will also benefit from the availability of check imaging to help combat fraud and the problems associated with bad checks. The ability to access check images on the Internet helps consumers to quickly and conveniently verify their transactions. They can identify potential errors. They can detect fraudulent transactions sooner, rather than waiting until the end of the month when they receive their traditional statement.