

**DALE W. SCHULTZ**  
Wisconsin State Senator

**SB 53 - Demand Draft**

***Background:***

- This is a reintroduction of 2001 companion bills authored by Rep. Jeskewitz and Sen. Erpenbach which passed unanimously in Assembly Committees on Financial Institutions and the Senate Committee on Privacy, Electronic Commerce and Financial Institutions - Time ran out in session before it was scheduled for Senate floor.
- Today an increasing number of consumers purchase goods and services over the telephone and by computer. Payment for these transactions is completed in several ways (Credit Card, Automated Clearing House system)
- Another method of payment for such transactions is the **demand draft**, which is an unsigned paper check created, with authorization of the consumer, by a merchant to debit the consumer's account.
- There has been an increase in the number of fraudulent demand draft transactions.

***Examples:***

- According to a recent survey (Community Bankers of WI), approximately \$7.5 million was lost to WI consumers and WI financial institutions last year due to this type of fraud.
- Two Letters
- More consumer protections are needed for the use of Demand Drafts

***Protection provided by this bill:***

- This bill makes the consumer protections compatible with that of the national electronic funds transfer laws. Under those regulations, the **initial** risk of loss is placed on the merchant's bank.
- The bill places the loss for unauthorized transactions on the merchant, or the originating/depository bank they opened their business account with, rather than on the consumer's bank by creating a **transfer warranty** that states that the creation of the paper demand draft was authorized by the person identified as the "drawer".
- The bill merely **shifts the initial risk of loss from one bank to another**, and does not impair or affect and maintains the consumer's right and ability to question the payment of unauthorized items from the consumer's account.
- Because the merchant's bank would warrant that the consumer authorized the paper demand draft, the depository bank would be forced to **investigate the merchant carefully** before opening the account thereby protecting itself and the consumer.

***Nationally:***

- Eight states have passes virtually identical legislation – California, Hawaii, N. Dakota, Oregon, Texas, Utah, Colorado, and W. Virginia.

***Hypothetical:***

- Merchant bent on committing fraud.
- Gets consumer bank account number by calling consumer, telling them they have won a prize but in order to claim it they must give their bank routing and account number.
- Merchant creates paper demand draft and prints “payment authorized” in place of consumer signature.
- Merchant Deposits the demand draft in his bank.
- Merchant’s Bank forwards the demand draft to the consumer’s bank to collect payment.
- Consumer’s account is debited.
- At the end of the month, the consumer receives account statement and notices the unauthorized debit. Account holder calls bank to report.
- Consumer’s bank sees that the transaction was a demand draft. At this point, the consumer’s bank may credit the consumer’s account and write off the loss, as it is very costly to pursue. However, if the account holder does not notice the unauthorized transaction on his/her statement they may take the loss without ever realizing it.
- This bill provides protection for both the bank and for the consumer. (See page one under ***Protection provided by this bill*** for details.)

# Vote Record

## Committee on Agriculture, Financial Institutions and Insurance

Date: April 22, 2003

Moved by: Kedzie

Seconded by: Brown

AB \_\_\_\_\_ SB 53 Clearinghouse Rule \_\_\_\_\_

AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment, \_\_\_\_\_

AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

A/S Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_

A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:

- Passage     Adoption     Confirmation     Concurrence     Indefinite Postponement  
 Introduction     Rejection     Tabling     Nonconcurrence

### Committee Member

**Senator Dale Schultz**

<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

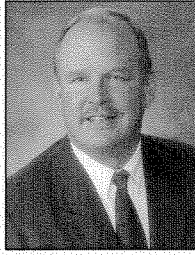
**Senator Ronald Brown**

**Senator Neal Kedzie**

**Senator Judith Robson**

**Senator David Hansen**

**Totals:** \_\_\_\_\_



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#### *Nationally:*

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**Public Hearing of the  
Senate Committee on Agriculture, Financial Institutions and Insurance  
SB – 53 Demand Drafts**

**Testimony of Daryll Lund, President & CEO  
Community Bankers of Wisconsin**

Chairperson Schultz and members of the committees, my name is Daryll Lund, President & CEO of the Community Bankers of Wisconsin (CBW). CBW is a statewide trade association representing the interests of approximately 220 community based financial institutions.

I appear before you today to testify in support of SB-53. The CBW strongly supports passage of this bill that will regulate the negotiation and collection of demand drafts. SB-53 is a reintroduction of a bill (SB-417) from the 2001 Regular Session that received unanimous approval in the Senate committee. In addition a companion bill (AB-784) passed unanimously in the Assembly.

Third party drafts, sometimes called demand drafts, telechecks, preauthorized drafts or unsigned MICR (Magnetic Ink Character Recognition) drafts, are drafts which have been initiated by a person other than an owner of the account on which the draft is drawn (the "account owner"), and which does not contain the actual signature of the account owner. The person initiating the draft claims to be acting pursuant to the authorization of the account owner.

Based on the Uniform Commercial Code when the account owner has authorized its initiation, a third party draft is a legitimate payment instrument and its payment presents no special problems for financial institutions. However, when a third party draft is initiated without such authorization, the potential for consumer and bank liability arises. This problem has become more serious in recent years with the increased fraudulent issuance of third party drafts, particularly in connection with telemarketing programs and Internet purchases.

To determine the extent of the problem and losses caused by unauthorized third party drafts a survey was conducted by the Community Bankers of Wisconsin (CBW), Wisconsin Automated Clearing House Association (WACHA) and the Upper Midwest Automated Clearing House Association (UMACHA). The survey involved Wisconsin financial institutions (commercial banks, savings banks, savings and loans and credit unions).

### **Financial Institutions Survey Results**

Survey results are based upon the experience of Wisconsin financial institutions over the past year.

#### **Direct Costs**

- Losses to Wisconsin consumers and Wisconsin financial institutions were estimated at over **\$7,500,000.**

#### **Indirect Costs**

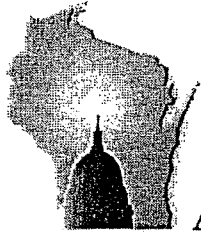
- It is the practice of a majority of the financial institutions to close out an account once a fraudulent or unauthorized transaction has taken place. This results in additional costs and inconveniences to the consumer because new checks and debit cards must be ordered as well as any changes to direct deposits or automated clearing house (ACH) must be made.

#### **Identity Theft**

- The natural progression in these types of transactions is identity theft. Once an unscrupulous individual or business has an individual's account information it is likely that additional unauthorized transactions will occur until the problem is identified. Reviewing monthly bank statements can identify unauthorized transactions. However, an estimated 85% of consumers do not review their bank statements. Generally, if a consumer is the victim of a fraudulent or unauthorized transaction, they have 14-30 days after they receive their statement to notify their financial institution of the problem. If they don't notify the financial institution in that short time frame the consumer is usually responsible for the loss.

To date, virtually identical legislation has been passed in eight states - California, Hawaii, North Dakota, Oregon, Texas, Utah, Colorado, and West Virginia. Uniform legislation for all states is currently under consideration.

**The Community Bankers of Wisconsin respectfully requests your support of SB-53.** Thank you for your consideration.



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**JIM DOYLE**  
GOVERNOR

**MARC J. MAROTTA**  
SECRETARY

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February 3, 2003

Ms. Mary Schnell, President  
Wisconsin Automated Clearing House Association  
16655 West Bluemound Road  
Suite 370  
Brookfield, WI 53005

Dear Ms. Schnell,

I would like to express my support for the ongoing efforts to eliminate the origination of paper drafts in the State of Wisconsin. The State is experiencing an increase in the fraudulent transactions against our bank accounts. These fraudulent transactions include paper drafts that are initiated through the Internet and telephone. In one recent attempt, fraudulent ACH transactions were rejected by our bank, returned to the company that originated them, converted into paper drafts, and re-presented to our bank for payment.

Paper drafts complicate our fraud prevention efforts and expose our bank accounts to additional risk of loss. Therefore, I support any effort to eliminate their use in the State of Wisconsin.

Sincerely,

William J. Raftery, CPA  
State Controller  
Wisconsin Department of Administration



1205 Main Street  
Cross Plains, Wisconsin 53528  
(608) 798-3961

November 29, 2001

Daryll Lund  
Community Bankers of Wisconsin  
455 County Rd M Suite 101  
Madison WI 53719

Dear Daryll,

Lee Swanson asked me to contact you in regards to a conference call he had with you on November 28<sup>th</sup>, 2001. This was in regards to paper drafts that are posting to customers accounts with no signature from the customer.

Frankly, these type of items scare me due to the greater chance of fraud occurring on our customers accounts. By someone just having access to a customers account number, they could have drafts created on that account without the customers knowledge or consent. Since we as a financial institution have only the 48 hour time frame within which to return these items, the potential for our loss is great.

Our bank, in fact, has had such a situation occur in which we lost \$2,000.00 this year. A customers account had both ACH and paper drafts post against it that were not legitimate transactions. We had 3 drafts presented against this account: for \$2,000.00, \$1525.88 and \$3,130.00 for a total of \$6,655.88. We had ACH transactions post that were of a much greater amount.

We were not able to return the \$2,000.00 draft timely. We attempted to work directly with the bank of first deposit to try to recover our funds. This bank just happened to be the bank that "created" the fraudulent draft. It apparently was used to make a payment on a Credit Card at their institution and they have a call in system that will automatically debit a customers account for the payment. They would not help us regain our loss even though they created the draft.

Luckily we caught this early so we were able to return the drafts for \$1,525.88 and \$3,130 within the 48 hour time frame to avoid a loss on these items. The ACH items we have a 60 day time frame in which to return these so there was no loss on them. I have enclosed copies of the items that were fraudulently presented on our customers account.

I feel we need more responsibility placed on the depositing bank for these items. Also, I think time frames within which to return these items as fraudulent need to be expanded, similar to ACH time frames.

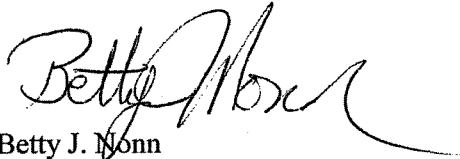


I believe companies are moving towards using these "drafts" versus ACH due to the fact there is less chance of these being returned for fraud. We all know physical documents cost more to process than ACH transactions, but companies are beginning to feel that they will reduce fraud losses by utilizing drafts and are willing to pay a little more for processing costs if they can avoid the loss potential.

Thank you for addressing this issue. Please call me at 798-5280 with any questions.

Sincerely,

State Bank of Cross Plains

A handwritten signature in cursive script that reads "Betty J. Nonn". The signature is written in black ink and is positioned above the printed name and title.

Betty J. Nonn  
Vice President Operations

enc



FOR SECURITY PURPOSES, THE FACE OF THIS DOCUMENT CONTAINS A COLORED BACKGROUND AND MICROPRINTING IN THE BORDER

145

070027592 310 19 February 19, 2009

\$ 229.00

Pay to the Order Of: Nationwide Consultants

Two Hundred Twenty Nine Dollars and 00 Cents

Thank You 866-598-8419

This draft authorized by your depositor  
No Signature Required

⑈ 145 ⑈

⑈0000022900⑈

THE REVERSE SIDE OF THIS DOCUMENT INCLUDES AN ARTIFICIAL WATERMARK - HOLD AT ANGLE TO VIEW

0750000129  
M/R/M  
FRB - 211  
070027592  
070027592

THE NATIONAL CITY BANK  
NATIONWIDE CONSULTANTS  
1572641295  
1661000413

DO NOT WRITE / SIGN / STAMP BELOW THIS LINE  
DEPOSITORY BANK ENDORSEMENT

For Deposit Only  
Nationwide Consultants  
2061000413

ENDORSE CHECK HERE



# SUE JESKEWITZ

State Representative • 24th Assembly District

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Thank you Chairman Schultz and members of the Senate Agriculture, Financial Institutions and Insurance Committee for hearing Senate Bill 53. Since many of the members of the committee are cosponsors of the legislation, I know that you understand the importance of this legislation and how its enactment will benefit the citizens of Wisconsin.

Senate Bill 53 is a reintroduction of 2001 companion bills Assembly Bill 784 and Senate Bill 417. These bills both unanimously passed out of their respective committees and Assembly Bill 784 also passed unanimously on the Assembly floor, but session ran out before the bill could be scheduled on the Senate floor.

Modern technology is constantly changing the way that business transactions are conducted. We must continue to update our state statutes in response to these changes to ensure that these new technologies are not being used to manipulate or circumvent the laws that are currently in place. Senate Bill 53 is a bill to do exactly that. This bill will modernize our statutes to accommodate a new way that purchases are paid for; through demand draft checks (also called telechecks).

I'm sure that many of us have given our routing and checking account numbers over the phone to pay for services. Anyone in Madison looking to pay their Charter Cable bill over the phone uses this method – they don't accept credit cards. Those paying for bills this way assume that it is secure, but that is not always the case. These demand draft checks do not have the same protections as other payment methods and it is difficult for a consumer to prove lack of authorization. It is also extremely difficult for the consumer's bank to return the "preauthorized" checks to the merchant/telemarketer's financial institution. Through the creation of unauthorized debit checks, the merchant/telemarketer is able to circumvent many consumer protection regulations. Senate Bill 53 will provide protection to those consumers and their financial institutions.

Bills similar to Senate Bill 53 have been passed in other states and uniform laws are being advocated nationwide. This legislation is supported by the Community Bankers of Wisconsin, the Wisconsin Bankers Association and the Wisconsin Credit Union League.

Thank you again for hearing this bill and I encourage your support for Senate Bill 53 as it makes its way through this committee and again when it comes for a vote before the full Senate.



# **WACHA**

**Mary Schnell AAP**

**President**

**262-796-0252 or [mschnell@wachacha.org](mailto:mschnell@wachacha.org)**



# About WACHA

- WACHA is a non-for profit service organization that was formed in 1975 to educate financial institutions about the ACH Network and has expanded to all Payment Systems.
- WACHA was comprised of financial institutions in the 7<sup>th</sup> Federal Reserve District in Wisconsin

# Mission Statement

- To be the Premier Payments Resource for our Members and Clients by providing them with high value, comprehensive solutions through quality products, education and other services.

# **ACH Network**

- Within the ACH Network the rules allow for an unauthorized debit entry an extended time period.
- The Consumer Must sign a Written Statement Under Penalty of Perjury.
- The Paying Financial Institution has no liability.



# **Pre-Authorized Paper Drafts**

- Sprint PCS
  - Fraudulent Paper Drafts
- Credit Card Companies
- Check Collection/Telephone/Internet



## Important Information

*What May Happen If  
Your Check 'Bounces'?*

Now there's a simple, lower cost way for merchants, billing companies and financial institutions to process Insufficient Funds (NSF) checks. The company can now collect an NSF check using the same system that is used for Direct Deposit. This means that the paper check will not be presented to your account again, but instead the amount will be deducted electronically. This method is as safe, reliable and secure as Direct Deposit.

Following is a summary of the rules companies using the re-presented check method of collection must follow and what you can do if they don't follow the rules.

- ✓ According to regulations, merchant's using electronic check collection are required to provide notice to you before you write your check. Notice can be provided a variety of ways, a sign on the cash register or a sign on the door when you enter the establishment. As long as this notice is provided, an NSF check can be processed electronically.
- ✓ The electronic re-presented item may only be for the amount of the check.

*Continued on reverse*

- ✓ If you were not notified, you may sign an affidavit with your financial institution that you did not receive notice. Or if you settled the charge with the company but your account was still debited, you may sign an affidavit with your financial institution that your account was charged twice in error. In either case your account will be credited and the issue may be investigated by the company.
- ✓ These transactions will be listed with the electronic transactions on your statement, the entry will contain the name of the payee, the description "REDEPCHECK", the check number and the check amount.
- ✓ The company or its agent keeps a copy of your check for seven years. You may receive a copy if necessary, upon request to the company or your financial institution.

As always, contact your financial institution immediately, should you ever discover an error on your statement.





# **Don't Get Scammed!**

## ***Information about giving your account number over the telephone***

Paying by phone has become easier, without the running up a big credit card bill. A company may now use the telephone to obtain verbal authorization to debit your bank account. The company is required to record the conversation or send you written confirmation of the authorization. Telephone authorization is for a one-time only debit to a consumer's checking account.

There are restrictions as to which companies may debit your account using a telephone authorization. You may call any company and authorize them to debit your account. Companies may only initiate calls if you have purchased goods or services from them within the past two years or have a written agreement.

You may place stop payments on these items. But act quickly! Since this entry could reach your financial institution by the next day, it is important to not wait. Explain to them that you are interested in placing a stop payment on a "telephone-initiated entry".

As always, contact your financial institution immediately, should you ever discover an error on your statement. If an electronic transaction was debited from your account without your authorization, your financial institution may adjust your account if notified within a proper timeframe.



# Protect Yourself

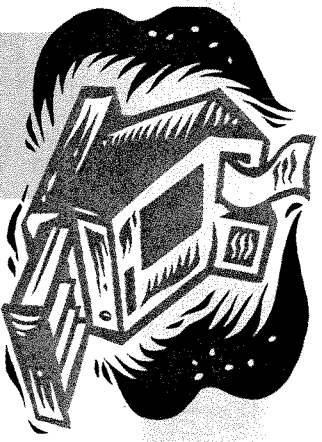
*Information about giving your  
account number over the Internet*

The Internet is a great way to find information and make purchases. Recently, companies have started allowing consumers to pay for Internet purchases simply by providing their checking account information and having the purchase amount debited.

As a consumer, you need to identify whether you believe providing account information over the Internet is something you feel comfortable and safe doing. In order to use this application however, companies are required to follow certain security requirements, such as passwords or PINs to identify you before allowing purchase. They must retain history of your purchases and act on inconsistencies, etc. They are also required to only permit purchases within secure sessions (minimum 128 bit encryption) and to ensure that their databases and physical site are secure.

Every aspect of the transaction must take place on-line and it is required that you authorize the transaction by entering a password, digital signature or PIN or otherwise agreeing to the transaction and proving your identity. You should be asked to print and retain a copy of the authorization, Do It!

It is important to note that you are ultimately responsible for any activity on your checking account. Check your account statement every month and notify your financial institution IMMEDIATELY if you do not recognize any activity.



# Smart Shopping

## *What may happen to your check at your favorite store.*

A point-of-purchase entry is a form of electronic payment using the ACH network. A check is presented to a merchant, who electronically obtains your banking information from it. The merchant must void your check and return it to you. You may not reuse this check in the future.

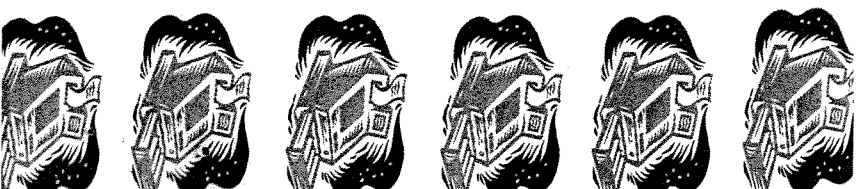
A merchant is required to obtain a consumer's signature on a written authorization prior to transmitting a point-of-purchase entry to the consumer's account. The authorization permits them to initiate a one-time debit to your checking account for the amount of goods or services purchased. The merchant may re-initiate this debit if the original debit is returned to them for insufficient funds in your account. Also, a merchant may include in the authorization language the ability to initiate a debit for collection fees if your debit is returned for insufficient funds. The merchant is required to provide you with a copy of the authorization.

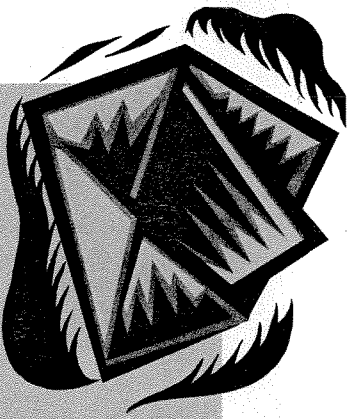
*Continued on reverse*

These transactions will be listed with the electronic transactions on your statement; the entry will contain the check number, which will help you identify the transaction and the amount. You may still place stop payments on these items. Since this entry could reach your bank by the next day, you must act quickly in placing stop payments. Explain to your financial institution that you are interested in placing a stop payment on a "point-of-purchase transaction." Have the check number, transaction amount and date of transaction ready for your financial institution.

As always, contact your financial institution immediately, should you ever discover an error on your statement. If an electronic transaction was debited or credited to your account without your authorization, your financial institution may adjust your account if notified within a proper timeframe.

While it should never happen, if both the check and the electronic items are debited from your account, IMMEDIATELY notify your financial institution. Your financial institution will return the duplicate transaction, crediting your account for the amount.





# But... I Mailed a Check!

*What consumers need to know about Accounts Receivable Entries*

Accounts Receivable Entries (ARC) is an application of the automated clearing house (ACH) network, the same network that allows for Direct Deposit. When you mail a check for payment, or drop one into a drop box, the company may convert this item into an ACH (electronic) entry. This application is most commonly used by organizations that regularly receive a high volume of checks such as credit card, insurance and utility companies.

An organization may 'convert' your check simply by notifying you prior to payment. According to Federal regulations, no written authorization is required. The ARC item will appear in the electronic transactions portion of your statement and the statement entry will include your check number.

Consumers may place stop payments on these items, however one must do so in order to give the financial institution reasonable opportunity to act on the stop payment before the item is acted on. The time frame for the ARC entry to reach your financial institution is much shorter than the time frame for a check to be deducted from your account, so consumers must act quickly if a stop payment is necessary.



If a stop payment is placed on the check, and an ARC item is presented in place of the check, a financial institution may pay the item in error due to common computer system issues. Not to worry! Notify your financial institution and they may return the ARC item on which the stop payment had previously been placed for up to 60 calendar days after the date the item was debited from your account.

### *Protecting Consumers from Error and Fraud*

You are protected from having both the check and the electronic item debited from your account. If both items are presented for payment against your account, you may ask your financial institution to return the electronic item for 60 calendar days from the date of the electronic transaction. You also are protected against having the dollar amount not match the dollar amount of the check or having your check converted if you were not notified. Should either of these things happen, simply contact your financial institution within 60 calendar days from the date of the electronic transaction and the item may be returned. You will be asked to sign a written statement under penalty of perjury attesting to the reason you wish to have the item returned.



THIS CHECK HAS A SIMULATED WATERMARK ON THE BACK

Check #: 0009105  
07904950789

Date: 08/13/01

4870780

\$ 1,525.88  
Dollars

and 88 CENTS

DREXEL BLVD  
CHICAGO, IL 60616

PAY TO THE

ORDER OF Verizon Wireless

ONE THOUSAND FIVE HUNDRED

STATE BANK OF GROSS PLAINS

1205 MAIN ST  
GROSS PLAINS, WI 53628  
808-798-3961

0000  
RETURNED NOT VALID BY 07866400  
UNLESS OTHERWISE MARKED  
UNLESS OTHERWISE MARKED

Signature  
Refer to your account #:  
Uncheck and Submit Hold Memo  
BY Account Hold Memo  
Transaction #

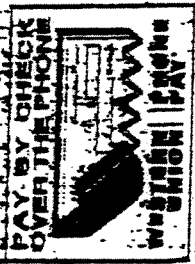
221200147308

THIS PAYMENT HAS BEEN AUTHORIZED BY YOUR DEPOSITOR

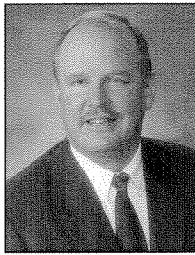
SIGNED

BY AUTHORIZED REPRESENTATIVE Verizon Wireless

Any Questions, Call 888-822-8071



9105 0000152588



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Wisconsin State Senator

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[www.doa.state.wi.us/debf/](http://www.doa.state.wi.us/debf/)

February 3, 2003

Ms. Mary Schnell, President  
Wisconsin Automated Clearing House Association  
16655 West Bluemound Road  
Suite 370  
Brookfield, WI 53005

Dear Ms. Schnell,

I would like to express my support for the ongoing efforts to eliminate the origination of paper drafts in the State of Wisconsin. The State is experiencing an increase in the fraudulent transactions against our bank accounts. These fraudulent transactions include paper drafts that are initiated through the Internet and telephone. In one recent attempt, fraudulent ACH transactions were rejected by our bank, returned to the company that originated them, converted into paper drafts, and re-presented to our bank for payment.

Paper drafts complicate our fraud prevention efforts and expose our bank accounts to additional risk of loss. Therefore, I support any effort to eliminate their use in the State of Wisconsin.

Sincerely,

William J. Raftery, CPA  
State Controller  
Wisconsin Department of Administration



1205 Main Street  
Cross Plains, Wisconsin 53528  
(608) 798-3961

November 29, 2001

Daryll Lund  
Community Bankers of Wisconsin  
455 County Rd M Suite 101  
Madison WI 53719

Dear Daryll,

Lee Swanson asked me to contact you in regards to a conference call he had with you on November 28<sup>th</sup>, 2001. This was in regards to paper drafts that are posting to customers accounts with no signature from the customer.

Frankly, these type of items scare me due to the greater chance of fraud occurring on our customers accounts. By someone just having access to a customers account number, they could have drafts created on that account without the customers knowledge or consent. Since we as a financial institution have only the 48 hour time frame within which to return these items, the potential for our loss is great.

Our bank, in fact, has had such a situation occur in which we lost \$2,000.00 this year. A customers account had both ACH and paper drafts post against it that were not legitimate transactions. We had 3 drafts presented against this account: for \$2,000.00, \$1,525.88 and \$3,130.00 for a total of \$6,655.88. We had ACH transactions post that were of a much greater amount.

We were not able to return the \$2,000.00 draft timely. We attempted to work directly with the bank of first deposit to try to recover our funds. This bank just happened to be the bank that "created" the fraudulent draft. It apparently was used to make a payment on a Credit Card at their institution and they have a call in system that will automatically debit a customers account for the payment. They would not help us regain our loss even though they created the draft.

Luckily we caught this early so we were able to return the drafts for \$1,525.88 and \$3,130 within the 48 hour time frame to avoid a loss on these items. The ACH items we have a 60 day time frame in which to return these so there was no loss on them. I have enclosed copies of the items that were fraudulently presented on our customers account.

I feel we need more responsibility placed on the depositing bank for these items. Also, I think time frames within which to return these items as fraudulent need to be expanded, similar to ACH time frames.

I believe companies are moving towards using these "drafts" versus ACH due to the fact there is less chance of these being returned for fraud. We all know physical documents cost more to process than ACH transactions, but companies are beginning to feel that they will reduce fraud losses by utilizing drafts and are willing to pay a little more for processing costs if they can avoid the loss potential.

Thank you for addressing this issue. Please call me at 798-5280 with any questions.

Sincerely,

State Bank of Cross Plains

A handwritten signature in cursive script that reads "Betty J. Nonn". The signature is written in black ink and is positioned above the printed name and title.

Betty J. Nonn  
Vice President Operations

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