

SENATE BILL REPORT

SB 6358

AS OF JANUARY 31, 1994

Brief Description: Requiring financial institutions to report account closed data in order to prevent closed checking account abuse.

SPONSORS: Senators Vognild, Newhouse, Prentice, Fraser, Morton, Winsley and McAuliffe

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Catherine Mele (786-7470)

Hearing Dates: February 1, 1994

BACKGROUND:

There are various methods of writing and using fraudulent checks for the payment of goods and services. One method is to write checks from a closed account. Currently, merchants have the option to purchase various computer systems and services to assist in preventing account closed check fraud. Interest has been expressed in preventing account closed check fraud through requiring financial institutions to report closed checking account information to a centralized electronic mailbox system.

SUMMARY:

Financial institutions are required to report to the electronic mailbox system a daily listing of the accounts closed for abuse and a daily listing of the accounts that are reopened and back in good standing with the financial institution. The account closed data must be sent to the electronic mailbox within three banking days of closure of the abused account. The electronic mailbox is available to check verification services, law enforcement agencies, and other financial institutions.

Financial institutions are not liable for erroneous information unless the institution fails to correct the error within a reasonable time after discovery or reasonable notification. A reasonable time means within three banking days after the date of discovery or notification.

The Department of Financial Institutions is directed to adopt rules for implementation.

Appropriation: none

Revenue: none

Fiscal Note: none requested