



Check 21 vs. Check22

- **Check 21 = Grab Payment Model**
- **Check22 = Push Payment Model**

Check22 is designed to fundamentally alter the merchant/consumer relationship as it exists today, by moving purchase and other financial transactions from a “pull” model, wherein a consumer gives a merchant detailed information allowing the merchant to draw money from a consumer’s accounts, to a “push” model, where the consumer provides no such information to the merchant, but instead actively sends their payments directly to the merchant in the form of a Check22 on demand substitute check.

To use a physical analogy, it may be viewed as moving from a model where we as consumers are required to hand a merchant our wallet, and allow them to take out the money for our purchases, to one in which we alone hold our own wallet, and we hand the merchant only the money we intend them to receive.

Executive Summary

Check 21 - Grab/Pull

The traditional methods for moving payments electronically from a consumer or borrower to a merchant or lender have been carried out under what is described as a “pull” or “grab” model. In this method of transaction handling, the payer gives to the merchant some set of identifying information (bank account routing numbers, etc.) along with some form of “authorization” statement. The merchant or lender then uses that information to submit a transaction against the payer’s account to “grab” or “pull” the funds.

This is the entire basis of the existing, traditional “Check 21” architecture. Several serious problems exist with this methodology:

1. **Unverified Authorization** – The authorization provided by the payer (signed receipt, “terms and conditions” buttons on websites, etc.) are not verified except retroactively, if and when a transaction is challenged.
2. **Incorrect or Multiple Postings** - A Transaction may be posted for an incorrect amount, or may be submitted multiple times. As with authorizations, these problems can only be resolved retroactively.
3. **Posting Against Insufficient Funds** – A transaction may be posted against a bank account without sufficient funds or a credit account without sufficient available credit. Whether by inadvertence or intent by either party, this leaves the payer and the payee with losses from overdraft and credit exception fees.

Check22 – Push

In contrast, the “push” model, as embodied in the Check22 invention, solves these issues. The merchant or lender, through the API, provides information on where to send funds, rather than where to withdraw them. The payer then creates and completes the payment transaction from their own existing off-platform DDA checking account and “pushes” the funds to the merchant.

1. **Authorization** – The merchant has no authorization records to maintain. Authorization history is completely within the control of the payer.
2. **Incorrect or Multiple Postings** – The amount of the transaction is completely controlled by the Payer. Each transaction is individually registered.
3. **Posting Against Insufficient Funds** – As all transactions are processed only at the express authorization of the payer, with their checking account number and current balance confirmed by the payer from the privacy of their own computer or cell phone, merchant cannot initiate any transaction against insufficient funds.

Through specific and selectable combinations of these features, Check22 may be tailored to suit the needs of many distinct communities of merchants, **both banked and unbanked**:

- **Merchants and Lenders** – Businesses and individuals engaged in the selling of goods and services, including financial services.
- **Agents** – Sellers of communications and financial processing services to Merchants
- **Consumers** and borrowers banked or underbanked.

Check22 Local and National Database Monitoring

1. Before approving a Check22 Genie will verify its **Local Negative Database** for negative history based on Genie Number, Bank Routing and Account Number, Cell Number, and email address, any direct match will result in declining the subject Check22. **Genie will also confirm the Bank Routing, Account Number, and the current balance in the issuing checking account (ABC Test).**
2. Once the Local Negative Database is successful Genie will perform a **Velocity Test** based on the authorized daily, weekly, and monthly authorized number of transactions and dollar amount. Check22 transactions exceeding the **Velocity Test** limits will be declined. **Velocity Test** limits can be set specifically on an account by account basis.
3. Once the Velocity Test limits have been satisfied, for its final test, Genie Gateway will check the **National Database** into which about 95% of all U.S. banks report both positive and negative information. The **National Database** check will include an electronic review of the 32 items below:

Item Code	Description	Risk Level	Property Message	Decision Description
1	Invalid Bank Routing #	F	Invalid Bank Routing	DECLINE
2	Invalid Account #	F	Invalid Account	DECLINE
3	Customer did not pass their "ABC Test" Account Bank Confirmation	F	Invalid Account Confirmation	DECLINE
4	Customer passed their "ABC Test" Account Bank Confirmation	L	ABC Test OK	ACCEPT
5	Customer has unpaid item(s) with at least one item reported as R02, R03, or R04	H	Consumer Affairs 888-222-7621	DECLINE
6	Customer has unpaid item(s) with at least one item reported as R05, R07, R10, R29, or R51	H	Consumer Affairs 888-222-7621	DECLINE
7	Customer has recent unpaid return item(s). The reason for the return is suspicious.	H	Consumer Affairs 888-222-7621	DECLINE
8	Customer has unpaid return item(s). Returns are not recent but the the return is suspicious.	H	Consumer Affairs 888-222-7621	DECLINE
9	Customer's checking account balance is NOT sufficient to	H	Insufficient Balance	DECLINE

	cover the amount of the Check22 requested.			
10	Customer's checking account balance verified and is sufficient to cover the amount of the Check22 requested.	L	Balance OK	ACCEPT
11	Customer has multiple unpaid items. Account is not known to be closed.	H	Consumer Affairs 888-222-7621	DECLINE
12	Invalid DL format	F	Invalid DL format	As Applicable
13	Invalid Telephone Number	F	Invalid Telephone Number	Format Error
14	Amount exceeds limits set in rule set	R	Merchant -Over Maximum Dollar Amount	DECLINE
15	# or \$ amount exceeds limits set in rule set for the last 24 hours	R	Merchant- Exceeds Day Velocity Limits	DECLINE
16	# or \$ amount exceeds limits set in rule set for the window of days.	R	Merchant - Exceeds Window Velocity Limits	DECLINE
17	Check # is lower than the minimum check number allowed in the rule set	R	Merchant -Check # too low	ACCEPT
18	Duplicate transaction detected	R	Duplicate Check22	DECLINE
19	Reported history of R02 (Account closed. A previously active account has been closed by action of the customer or the RDFI)	W	Risk Warning	DECLINE
20	Reported history of R03 in the last 12 months (No account/Unable to Locate Account. The account number structure is valid and it passes the check digit validation, but the account number does not correspond to the individual identified in the entry.	W	Risk Warning	DECLINE
21	Reported history of R04 in the last 12 months (Invalid account number. The account number structure is not valid. The entry may fail the check digit validation or may contain an incorrect number of digits.	W	Risk Warning	DECLINE
22	Reported history of R05 in the last 12 months (Unauthorized Debit to Consumer Account	W	Risk Warning	DECLINE

	Using Corporate SEC Code (adjustment entries).			
23	Reported history of R07 in the last 12 months (Authorization revoked. The customer revoked the authorization previously provided to this ODFI for this transaction.	W	Risk Warning	DECLINE
24	Reported history of R10 in the last 12 months (No authorization. Customer has notified the bank that this payment is not authorized to your company.	W	Risk Warning	DECLINE
25	Reported history of R29 in the last 12 months (Corporate customer advises not authorized. RDFI has been notified by the Receiver that the Originator of a given transaction has not been authorized to debit the Receiver's account.	W	Risk Warning	DECLINE
26	Reported history of R51 in the last 12 months (Ineligible item. Item is Ineligible, Notice Not Provided, Signature Not Genuine, Item Altered, or Amount of Entry Not Accurately Obtained from Item (adjustment entries)	W	Risk Warning	DECLINE
27	History of Returns. No current unpaid items	W	Risk Warning	DECLINE
28	Possible NON DDA account	W	Risk Warning	N/A
29	Customer has no unpaid returns. Account is not known to be closed.	L		ACCEPT
30	Customer has recently paid an item and is no longer has an unpaid debt in the database	L		ACCEPT
31	Customer has no unpaid items with limited positive history	L		ACCEPT
32	Customer has no unpaid items with strong positive history	L		ACCEPT

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