

IRD/Substitute Checks: *Forward vs Return*

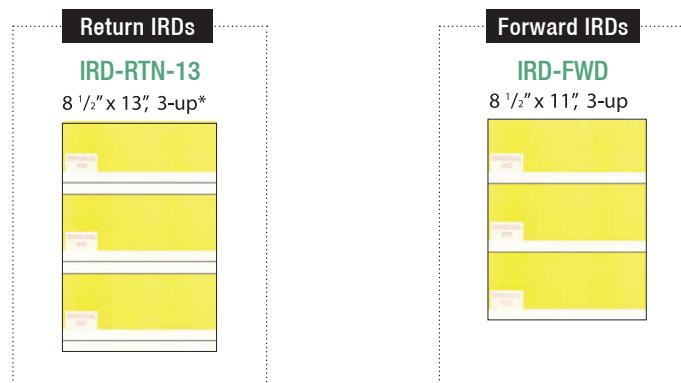
Understanding the Difference

By now, most people in the financial world are at least vaguely familiar with the concept of Image Replacement Documents (IRDs). With the advent of electronic money transfers, it has become necessary to, at times, stop the electronic process and print out a physical copy of the check. The IRD is the name for this reprinted copy – a legal, negotiable document - that replaces the original check, which was presumably destroyed once it was scanned and sent on its electronic way. The difference between Forward and Return IRDs, however, continues to remain a mystery to many people, but in reality, the differences are fairly simple to understand.

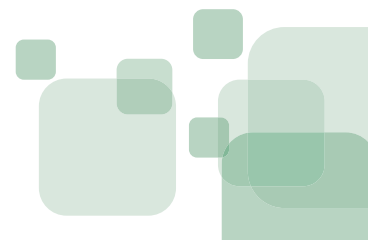
First, let's consider the Forward or "regular" IRD. In order to facilitate an electronic transfer, the original check is scanned and an electronic image of that check, front and back, is created. This electronic image often makes it the entire way through the system without ever having to be reprinted. However, on some occasions – usually when one of the banks along the way is not equipped to handle electronic transfers, or when someone requests a copy of their cancelled check – there is a need to reprint the document.

In order to fit all of the necessary information onto the new IRD, the newly printed image of the check is slightly reduced in size. This means that the MICR line is no longer machine readable, and for this reason, a nearly identical MICR line is reprinted in full size at the bottom of the document (with the addition of a forward IRD identifier) so that it can be properly read by optical and/or magnetic equipment. Once printed, the IRD is then sent on "the old fashioned way" via physical means such as the mail system.

Now, let's look at the Return IRD, and how it differs from the Forward version. In terms of the physical document, the Return IRD is exactly the same as the Forward IRD, except that it has space for an additional "full-size" MICR line beneath the one found on the Forward IRD. Typically, there is a perforation that allows this second MICR line to be removed at the appropriate point in the process. If stock checks, quickly introduce Relyco's comprehensive line of stock laser checks



The MICR line at the bottom of the Forward IRD (left) is nearly identical to the MICR line on the check image above it, except that it is full-size so that it can be machine read. The Return IRD (right) is identical to the Forward IRD, with the only difference being the addition of a second full-size MICR line containing reverse routing information so that the equipment knows to send the check back through the system.

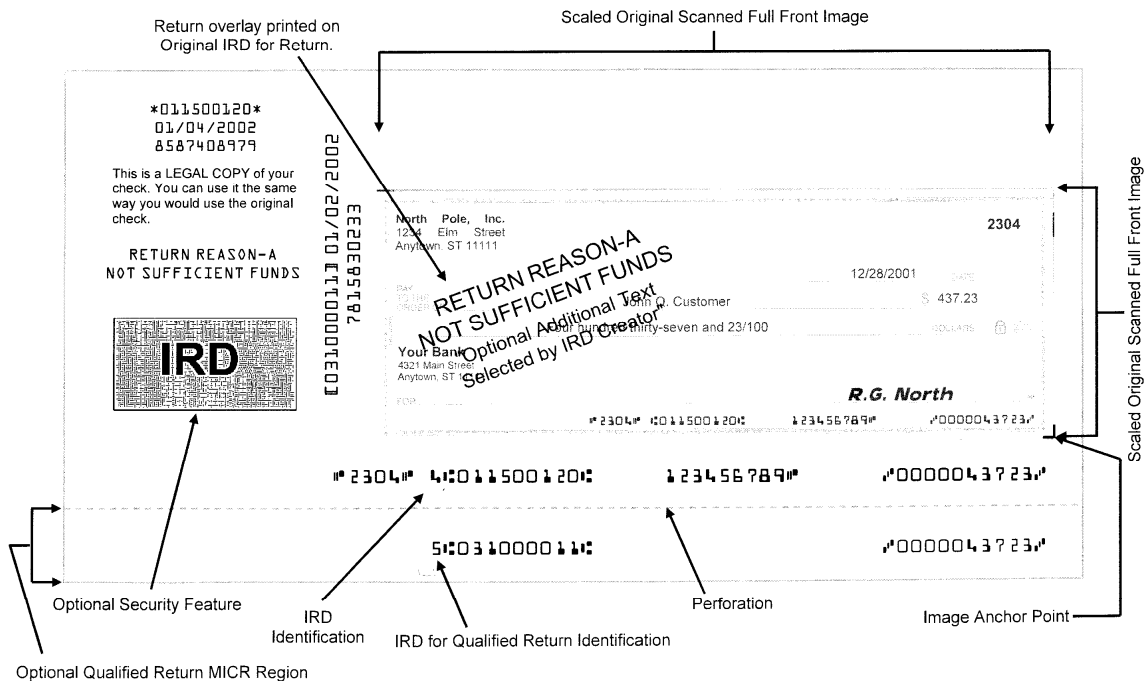


So, the question becomes, “Why two MICR lines on a Return IRD?” Well, if we again assume that the original check has been scanned and electronically transmitted, let’s now imagine that the check ultimately “bounced” due to insufficient funds. The second MICR line is simply one that contains new routing information, along with a return IRD identifier, that tells the reading equipment that this transaction has to go back through the system.

Doing things the old fashioned way, once the account holder deposited the funds to cover the bounced check, they could then re-submit the same check to be processed a second time. The only difference with the new method is that the second MICR line – the one with the reversed routing information encoded into it – is now removed (remember the perforation mentioned above), and the end result is essentially a Forward IRD (with its lone remaining MICR line being the full-size version of the one on the reduced image of the check) which can now be sent through the system for re-processing (assuming the necessary funds have now been deposited).

Aside from insufficient funds scenarios, there are also some other instances where it may be necessary to print a Return IRD, with one example being a check that has had a “stop payment” request from the issuer. However, the vast majority of Return IRDs are printed for checks that are being returned for insufficient funds or other common problems with the account from which the money is being drawn.

To summarize, the Forward IRD is a document that bears a reduced image – front and back - of the original check, along with a standard, full-size version of the check’s MICR line at the bottom of the document that allows for machine readability of the IRD. The Return IRD is exactly the same as the Forward IRD, except that it has a second, “reverse direction” MICR line which can be removed once the IRD has made its way back to the beginning of the process and is ready to be re-submitted.



The image above is an actual scan of Relyco’s “Original IRD®” used for the qualified return of a business-sized check.

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