

(1) *Each customer or collecting bank who obtains payment or acceptance of an item and each prior customer and collecting bank warrants to the payor bank or other payor who in good faith pays or accepts the item that*

(a) *he has a good title to the item or is authorized to obtain payment or acceptance on behalf of one who has a good title; and*

(b) *he has no knowledge that the signature of the maker or drawer is unauthorized, except that this warranty is not given by any customer or collecting bank that is a holder in due course and acts in good faith*

(i) *to a maker with respect to the maker's own signature; or*

(ii) *to a drawer with respect to the drawer's own signature, whether or not the drawer is also the drawee; or*

(iii) *to an acceptor of an item if the holder in due course took the item after the acceptance or obtained the acceptance without knowledge that the drawer's signature was unauthorized; and*

(c) *the item has not been materially altered, except that this warranty is not given by any customer or collecting bank that is a holder in due course and acts in good faith*

(i) *to the maker of a note; or*

(ii) *to the drawer of a draft whether or not the drawer is also the drawee; or*

(iii) *to the acceptor of an item with respect to an alteration made prior to the acceptance if the holder in due course took the item after the acceptance, even though the acceptance provided "payable as originally drawn" or equivalent terms; or*

(iv) *to the acceptor of an item with respect to an alteration made after the acceptance.*

(2) *Each customer and collecting bank who transfers an item and receives a settlement or other consideration for it warrants to his transferee and to any subsequent collecting bank who takes the item in good faith that*

(a) *he has a good title to the item or is authorized to obtain payment or acceptance on behalf of one who has a good title and the transfer is otherwise rightful; and*

(b) *all signatures are genuine or authorized; and*

(c) *the item has not been materially altered; and*

(d) *no defense of any party is good against him; and*

(e) *he has no knowledge of any insolvency proceeding instituted with respect to the maker or acceptor or the drawer of an unaccepted item.*

*In addition each customer and collecting bank so transferring an item and receiving a settlement or other consideration engages that upon dishonor and any necessary notice of dishonor and protest he will take up the item.*

(3) *The warranties and the engagement to honor set forth in the two preceding sub-section arise notwithstanding the absence of in-*