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Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20 th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Comments to Proposed Amendments to Regulation E and the official staff interpretation
Docket No. R-1210

Dear Ms. Johnson:

On behalf of Verizon Communications, I am pleased to respond to the Board of Governors of the Federal Reserve System's proposed amendments to Regulation E that would address its coverage of electronic check conversion services and those providing the services. Verizon is a Fortune 20 company that processed in excess of four hundred million paper remittances in 2003.

Comments on Proposed Amendments to Regulation E:

In general, Verizon is in agreement with the efforts of the Federal Reserve to amend Regulation E to provide guidance regarding the rights, liabilities, and responsibilities of parties engaged in electronic check conversion.

1. We concur with the commentary that "in an electronic check conversion transaction, a consumer provides a check to a payee and information from the check is used to initiate a one-time EFT from the consumer's account". We also agree with the commentary, "electronic check conversion transactions are covered by the EFTA and Regulation E if the consumer authorizes the transaction as an EFT", and "that a consumer authorizes an EFT if notice that the transaction will be processed as an EFT is provided to the consumer and the consumer completes the transaction". We do not believe Verizon should be required to absorb the liability for these particular transactions. Safe harbor language needs to be included as a part of this proposal. Also, there should be further detail and explanation on the FTC enforcement authority. Verizon currently assumes this is covered by Regulation E.
2. Authorization language – Aspect of the proposal that includes three model clauses which allow a biller to handle ineligible items, administrative returns, local/on-us items and interplay with Check 21:
 - Verizon endorses the overall proposal which allows billers flexibility while adhering to the guidelines of Regulation E. This clause would give billers such as Verizon the flexibility to accommodate a variety of common check conversion processing such as ramping up check conversion volume during an initial implementation, accommodating opt-out requests and making the optimal decision for clearing the transaction whether it is cleared as a check,

truncated as a substitute check, converted to an ACH transaction, or processed via image exchange.

- Verizon strongly endorses the standard model clause. We do not believe the standard model clause would cause any consumer harm. The only potential issue would be if the consumer were confused if this payment mechanism switched each month (e.g. from ACH to check to ACH). But this is not likely to happen, and use of the standard model clause in all cases would prevent most of the confusion.
 - Our IT budget has been established for 2005, so any major statement changes could not be accommodated until 2006. (In Verizon, any IT requirements for the following year must be submitted for review by August of the current year.) We currently are planning an ARC rollout in 2005. Dependent upon the timing of the decision, it could take Verizon 18 months to comply.
3. Authorization language – Discussion on the aspect of the proposal that includes new required language with two components; (a.) that funds may be withdrawn from an account sooner, and (b.) that a consumer will not receive his check back.

(a.) Funds may be withdrawn from an account sooner:

- This statement may not be true for an ACH payment if the original check is drawn on a local financial institution. This is definitely the case for 80% of the Verizon remittances.
- Most float associated with lockbox payments is due to mail float, especially for a biller with a nationwide mix of payments
- With the expected increase of truncated payments under Check 21 and image exchange, this aspect of the notice will not keep in step with changes in the payment landscape.

(b.) A consumer will not receive his check back from his financial institution:

- Many consumers do not receive their checks back today. Banks are continuing the trend of not returning original checks to consumers.

(c.) Overall comments:

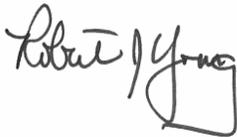
- Space on a statement or placard is very limited, so these additional requirements may not be feasible for on-going notification.
- The Federal Reserve and the banking industry should be advocating that consumers have enough money in their account at the time the check is presented.
- Before check conversion services were offered, billers were not required to detail how checks would be cleared.
- Billers would like to see a simpler notice emerge: e.g. one that states that a biller is in compliance with the applicable rules and regulations.
- Another recommendation is to include any additional wording in a general terms and conditions statement that the biller would need to distribute once a year and/or at account opening.

4. Imputed Notice – The proposal states, for ARC transactions, obtaining a single authorization from the account holder is sufficient to convert multiple checks submitted after receiving an invoice or during a single billing cycle:

- Verizon supports this proposal since it is likely to be occurring today.
- Verizon understands this component of the proposal specifically applies for multiple transactions, where multiple checks are received with one or more payment pages and for check only transactions, where a payment coupon or remittance stub is not received with the payment.

- The standard model clause “When you provide a check, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process this transaction as a check” must be approved in order for remittance processors to continue to endorse this aspect of the proposal, since there may be business reasons why a biller may elect not to process multiple or check-only transactions. For example, decisions on return processing and reversal of postings, opt-out processing, and customer concerns may affect the decision-making process.
5. Comment on whether Regulation E should require merchants or other payees to obtain the consumer’s written, signed authorization to convert checks received at POS:
 - Verizon believes merchants or payees should not be required to obtain written authorization to convert checks at the POS.
 6. Transactions initiated in error – the supplementary information clarifies a check converted in error does not constitute an electronic fund transfer where the transaction does not meet the definition of an EFT – even where notice of check conversion has been provided:
 - Verizon endorses this aspect because it clarifies how to process administrative returns in a conversion environment.
 - It is believed this should clarify dispute resolution processes.

Verizon appreciates the Board of Governor’s desire to facilitate a smoother electronic check conversion and appreciates consideration of our opinion.

A handwritten signature in black ink that reads "Robert Young". The signature is written in a cursive style with a large, stylized "Y" at the end.