

From: Linda K. Garner
Subject: Check 21 Survey

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Proposal: Agency Information Collection
Activities
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Comments:

@@@July 11, 2005
Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and C Streets, N.W.
Washington, DC 20551

Re: Docket No. FR-3080- Comments to Check 21 Act Survey

Dear Ms. Johnson:

U.S. Bancorp respectfully submits this response to the Federal Reserve Board on its proposed survey to assess the impact of the Check Clearing Act for the 21st Century Act (Check 21). U.S. Bancorp, with assets of \$198 billion, is the 6th largest financial services holding company in the United States. The company operates 2,377 banking offices and 4,654 ATMs providing a full line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. We commend the Federal Reserve for its efforts in developing an efficient and effective process to gather the data needed to report to Congress on the impact of Check 21. U.S. Bank is pleased to submit our comments on the proposed Check 21 Act Survey.

1. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility:

The Check Clearing for the 21st Century Act (Check 21) required the Federal Reserve to study the implementation of the law and its effect on various aspects of check processing, including funds availability, and to report the results of the study to Congress within 30 months of the implementation of the Act. We acknowledge that to accomplish this, information will need to be gathered from financial institutions.

We have concerns, however, regarding the practical utility of the information

being collected in the survey. Two areas drive our concerns; the time period covered in the survey, and the development of estimates for the category breakouts requested.

Time Period

The stated purpose of the survey is to allow the Federal Reserve to report on changes in check clearing and processing related to implementation of Check 21. We question the ability to do this without base data to use for comparison purposes.

By focusing the survey on 2005 and 2006, post-Check 21 time periods, the Federal Reserve is only able to identify current check clearing and processing practices. Without the same type of data from a pre-Check 21 time period, we do not see how changes related to Check 21 can be identified and the impact of Check 21 isolated and reported on.

Development of Estimates

Several questions in the survey ask for data in total, then broken out by a lower-level category. Our operations team believes much of the information requested is available within our systems at a summary level. Our systems, however, do not automatically track the data in all of the categories requested, leading to the need for manual processes and procedures to develop estimates for each lower-level category.

The breakout of checks within the lower-level categories can vary significantly on an hourly, daily, and seasonal basis. Institutions like ours, not tracking data within the lower-level categories, must develop estimates that balance the burden of information gathering with a reasonable degree of confidence. For some financial institutions, that means a limited scope sample, less onerous, but also providing a lower degree of confidence in the resulting estimates. Other institutions will opt for a "best guess" estimate, based upon their best recollections of their most recent experiences. Both methods provide a questionable degree of confidence in the resulting estimates.

While we agree that the Federal Reserve must collect information to be able to report to Congress on the effects of Check 21, we have concerns related to the time periods covered by the survey as well as the level of confidence in the estimates required to report by the lower-level categories requested in the survey.

2. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used:

The Federal Reserve has estimated that it will take approximately 10 hours for a bank to complete the proposed survey. After reviewing the proposed survey with our operations team and discussing methods of obtaining the requested information, we estimate that completing the survey in its current format would instead consume several hundred hours.

Our operations team has confirmed that much of the information requested is readily available at a summary level. However, because our systems do not automatically track the data in the lower-level categories requested, manual processes and procedures must be used to develop estimates for each category. Developing the estimates will involve manually tracing individual items between systems to identify their classification, then extrapolating these against the totals.

The need for sampling and manual processes drives the increase in hours over that estimated by the Federal Reserve and introduces degree of confidence as a factor in the estimates. As the degree of confidence desired in the estimates is increased, the amount of sampling required and corresponding hours to develop the estimates likewise increases.

The Federal Reserve estimate of 10 hours to complete the proposed Check 21 survey appears low. The manual processes required in classifying checks in the categories requested by the Federal Reserve drives an effort that would

consume hundreds of bank hours.

3. Ways to enhance the quality, utility and clarity of the information to be collected; and 4. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology:

Financial institution associations and other industry groups perform surveys and gather information from members on a regular basis. We recommend that the Federal Reserve work with industry groups such as the ABA or BITS to leverage data already being collected. Benefits gained from such a partnership include a lower burden of information collection for the financial institutions, as well as the availability of Pre-Check 21 and Post-Check 21 data for comparison purposes.

After leveraging data already being collected by the financial services industry, the Federal Reserve could then focus their efforts on areas not being tracked by the industry groups.

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U.S. Bank appreciates the opportunity to comment on the proposed information collection. We welcome the opportunity to work with the Federal Reserve in refining the survey to minimize the burden and maximize the identification of the effect Check 21 has had on check processing and funds availability.

If you have any questions regarding our comments, I may be reached at (513) 979-1350, or by e-mail at Linda.Garner@usbank.com.

Sincerely,
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