

Proposal: 1409 (RIN 7100-AD68) - Reg CC - Availability of Funds and Collection of Checks

Description: The Board request comments on proposed amendments to Regulation CC (Availability of Funds and Collection of Checks) to encourage banks to clear and return checks electronically, add provisions that govern electronic items cleared through the check-collection system, and shorten the "exception" hold periods on deposited funds.

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Comment ID: 80827

From: William Hipp

Subject: Regulation CC

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Comments:

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Proposal: Regulation CC - Availability of Funds and Collection of Checks

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Name: William Hipp

Affiliation: Intrust Bank NA

Category of Affiliation: Commercial

Address:

City:

State:

Country: UNITED STATES

Zip:

PostalCode:

Comments:

1. If Refer to Maker is removed as a return reason that would mean banks would not have a way to return duplicate items. There is no "duplicate" return code which would be beneficial to have because banks run through the same check more than once and the items have already processed. Many banks also use refer to maker as the return reason when returning checks in which the owner of the account is deceased. There should be a way to prevent "general" returns without eliminating the catch all reason which is still necessary in many perfectly valid circumstances.

2. If an item is charged back by the BOFD after the fourth business day is this automatically considered a late return and the BOFD has the recourse of a late return claim against the paying bank? What if the item was returned within twenty four hour deadline by the paying bank it just did not reach the BOFD within four business days? The exception hold being shortened to four days could lead to an increase in the number of late return claims filed since banks will be trying to recoup their losses.

3. If the exception hold is shortened to four days there are instances where checks are not charged back until after the fourth business day and leaves banks at risk of loss. For example a US Postal Service Money Order was deposited and later confirmed counterfeit by the US Postal Service and placed on exception hold for seven days. It was sent to its own dedicated FED routing number and was charged back to the account on the sixth business day. Under the new rules the hold

would have fallen off after the fourth day and the customer could have spent the money leaving our bank at risk of loss.

4. We would ask that if the exception hold time is shortened to 4 business days that banks still be required to send large dollar return notifications. The reason being that the paying bank could send an item back to the BOFD but the BOFD would not receive the return to charge back until after the 4th business day in some cases. The notice would help in these situations because the customer could be debited before the item is actually received and help mitigate losses. Perhaps the dollar amount could be raised, which would protect against large losses, but cut down the number of notifications sent.