

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.

Comment ID: 80990
From: Georgia Credit Union League, Cindy L. Turner
Subject: Regulation CC

Comments:

Date: Jun 03, 2011

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Comments:

June 3, 2011 Ms. Jennifer J. Johnson Secretary of the Board Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington D.C. 20551 Re: Docket No. R-1409; Regulation CC - Funds Availability
Dear Ms. Johnson, The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Federal Reserves proposal to amend 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. As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 153 credit unions that have nearly 1.9 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this. GCUL commends the Agency's efforts to improve the check processing system and we support several provisions contained within the proposal. We generally believe the Board's approach to increase the threshold to \$200 for next business day availability is consistent with the new statutory requirement as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. We support keeping case-by-case holds, which are important tools to protect against loss

and fraud and support the Board's approach to eliminate references to "nonlocal" checks as a result of consolidation of check processing. However, others cause a number of significant concerns. Those concerns are discussed in the following paragraphs. Shortening the exception hold from seven to four business days causes unease among credit unions. The exception hold serves a purpose where scams, counterfeiting and kitting is concerned. This allows credit unions the opportunity to control risk and set a reasonable hold time to combat loss. If the proposed change happens it may cause financial institutions to protect themselves and deposit checks into savings accounts where Reg CC does not apply. We propose that this time frame not be shortened from the current maximum seven business day hold. Account opening disclosure: 1) The size. The majority of credit unions provide account opening disclosures in one booklet that includes Reg CC, TISA, Reg E, plus other agreement information. Just recently, privacy was a part of these documents and had to be removed due to new 8 ½ x 11 size and table requirement. Changes such as this costs a great deal of time and expense for credit unions as the majority use a third party provider that charges approximately \$125 an hour to make changes. The proposed Reg CC changes will create the same situation and at a time where financial institutions are suffering along with the troubled economy. If documents are created in-house, same issues, staff time to remove the current disclosure and create new documents plus programming hours to create another process that will produce the Reg CC document separately and in 8 ½ x 11 format. All of this expense and effort for disclosures that are rarely read and for a service that is used less and less every day by consumers. One of the comments we received from a local credit union was "fight this model notice size requirement!" 2) The environment. Funds availability generally does not generate a great deal of confusion for members or decision making on their part therefore does not require this type of expense to gain clarity. Please consider removing the model form size of 8 ½ x 11 to help lessen the expense and keep account opening disclosures in one format and document to keep the use of paper to a minimum. Additionally, smaller documents are easier to provide and easier for the consumers to retain for future reference. For notice when a hold is placed, we ask for consideration where the size of the notice is concerned. Many financial institutions provide this notice back to members on receipt paper that is approximately 3 inches wide and 5 - 6 inches in length. These are given after completion of the transaction at the teller window. If the 8 ½ x 11 format is recommended, please make it clear the options available for credit unions to deviate from this format and still meet the intention of the new rule. The result could be an increase in the amount of paper required to provide the notice without any guarantee that the consumer will read the disclosure. Also, these changes will require expensive programming hours due to the need for system changes as these exception notices, populate automatically and print automatically to small receipt printers, in most instances. Regarding the requirement to provide notice electronically if the member has agreed to electronic notification, many credit unions may have an agreement in place to provide notices electronically to assist them through account disclosure in the account opening process but do not totally utilize permission due to the inability to transmit securely through email. Most would need a third party relationship to provide email notices within a secure system if they cannot provide email within a secure environment presently. It is one thing to provide an email notification to "link to your home banking to access your monthly statement" but another to provide a notice that includes your name and account number. Our recommendation is that this not be a "requirement" but rather an "option". This regulation is different from others in that it requires notice due to a change...any change. Most other regulations require a change due to a negative impact to the consumer,

which makes sense. Notice in this case is not warranted and is an additional cost to the credit union in both staff time and effort not to mention the use of the very small but valuable space on member statements that will focus on the \$100 increase instead of product and service offerings. The member can easily be notified at time of deposit of check holds if placed. Besides, it will be nice to learn that \$200 will be available instead of \$100. Please consider eliminating the need to provide notice unless the member is negatively impacted. The committee is concerned that we have been in an environment the past two years of regulatory change coming so fast and furious that it's difficult to serve consumers in a reasonable manner. We would hope that the regulatory bodies would take a look at the mountain of information being pushed to financial institutions and find a better course for change. Thank you for the opportunity to comment on the proposed updates to our check processing and consumer disclosure. If you have questions about our comments, please contact Cindy Connelly or me at (770) 476-9625. Respectfully submitted, Cindy Turner Vice President/Compliance Services Georgia Credit Union League