



May 31, 2011

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

Re: Docket No R-1409/RIN No 7100-AD68 – Availability of Funds and Collection of Checks

Dear Ms. Johnson:

I am writing on behalf of SchoolsFirst Federal Credit Union, which serves school employees in Southern California. We have more than 475,000 Members and over \$8.5 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on the proposed rule regarding the availability of funds and collection of checks under Regulation CC.

While SchoolsFirst FCU does not object to most of the changes being proposed, there is a particular piece of the proposal relating to check hold periods which may have unintended consequences if adopted as proposed. Therefore, we would like to bring this to your attention and urge that this piece of the proposal be reconsidered.

Our credit union is part of the CO-OP ATM network. This network is the largest credit-union-only ATM network in the nation and it allows our Members to make deposits at any of nearly 9,000 ATMs across the nation at ATMs owned by other credit unions. The network also enables members of other credit unions to make deposits at ATMs owned by SchoolsFirst FCU. This process makes the ATM owner the 'bank of first deposit' for purposes of Regulation CC. In these cases, the ATM cardholder's financial institution is not the ATM owner and has no control over those ATM deposits.

Some CO-OP ATMs are located in remote areas with minimal traffic. The low volume on those machines makes the cost of picking up deposits on a daily basis prohibitive, and these ATMs might be serviced only once or twice per week. This results in the delayed processing of those deposits.

The resulting delayed processing via the Federal Reserve Bank means that the four business day hold or the addition of a two-day reasonable hold extension in the proposed rule does not allow sufficient time to receive notification of returned deposits. This places the risk and potential loss with the financial institution that owns the ATMs. Because all depository institutions do not currently accept electronic returns, this causes even more risk to the CO-OP Network institutions that accept deposits.

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2115 N. Broadway • Santa Ana, California • 92706-2613
P.O. Box 11547 • Santa Ana, California • 92711-1547
800.462.8328 • 714.258.4000 • www.SchoolsFirstfcu.org

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ATM services are important for individuals who live in remote or low population areas, as they frequently have limited banking opportunities available to them. Therefore, in order for credit unions to maintain these remote ATM services to potentially underserved individuals, it is essential that risk and losses due to non-proprietary ATM processes be reduced to the fullest extent possible. To this end, SchoolsFirst FCU requests that the current 5 day general hold and the 6 day reasonable hold extension for deposits made at non-proprietary ATMs continue to be allowed.

Though this rule was proposed to facilitate the transition to fully-electronic interbank check collection and return, the overall objective should be to benefit consumers. We believe that consumers will ultimately be benefitted when the risk to financial institutions of offering ATM deposit services is mitigated by allowing extended holds on non-proprietary ATMs. Absent such a provision, many credit unions may be forced to abandon ATM services in remote areas due to the losses incurred by returned checks.

Again, SchoolsFirst Federal Credit Union appreciates having the opportunity to comment on the proposed rule. Please feel free to contact me if I may be of further assistance.

Sincerely,



Jose Lara
Senior Vice President, Automation & Business Services
SchoolsFirst Federal Credit Union

cc: Credit Union National Association (CUNA)
California/Nevada Credit Union League (CCUL)