

From: Virginia Credit Union, Inc., Beverley Rutherford  
Subject: Regulation CC

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Comments:

Thank you for the opportunity to comment on the Federal Reserve Board's (FRB) proposed changes to Regulation CC. I am responding on behalf of a state chartered credit union in Virginia with over 2 billion in assets and over 200,000 members.

Overall, we support the technical changes being proposed to remove all obsolete references to "non local" checks and all related regulations related to it. Our other comments on the proposal include the following:

- We have been accepting return checks electronically since the first week in March, 2011. Amending Reg. CC and bringing it in line with current processing would be beneficial; however, this should not come at the expense of smaller institutions who may not process returns electronically.
- We do not support eliminating the notice requirement for returns \$2,500 or more as proposed under 229.33 (a). This notice requirement is a useful tool in loss prevention and will affect credit unions more than banks because of the shared branching arrangement and ATM networks. Some shared branches and outlets do not place our "bank of first deposit" (BOFD) stamp on the item, particularly ATM shared deposits. As a result, that check is returned to the outlet bank and they in turn have to send it to us as an adjustment. Even if the item is returned within the two days, we would not get notice until it is sent to us as an adjustment. Removing the notice on large items exposes credit unions that use shared ATM networks to greater risk.
- Section 229.30 (d)(ii) of the proposal would eliminate "refer to maker" as a sole return check reason. This ultimately may cause an adverse affect on consumers. If we return a check for NSF, closed account, signature disagreement, etc., but the member is a victim of a fraud that resulted in this return, the merchant can obtain a warrant for the member without first contacting them for an explanation. If we can't use "refer to maker" as the sole reason, we have no way of telling the merchant that they need to contact the account owner for additional information before obtaining warrants or selling the item for collection. This can create a nightmare for the innocent consumer who has already been a victim once.
- We would also ask the FRB to leave the safe harbor period unchanged for reasonable extended hold periods (5 days) as reducing this period could potentially increase exposure (and/or losses) from unpaid items or in the alternative reduce to 3 or 4 days rather than 2 as proposed.
- We also have one additional comment we ask the FRB to consider as they finalize their rules. We have a major concern with the lack of any proposed rules that address the current fraud related to official checks and our limited ability to invoke holds on these items under Regulation CC. Like other financial institutions, our risk of accepting official/cashier's checks has increased dramatically. The number of counterfeits that circulate every day are increasing at an alarming rate and may likely rival the number of authentic checks in the future. The advances in technology make it nearly impossible for the average teller to recognize a counterfeit document. Plus, Regulation CC in

the current rules has curtailed extended holds on a "class of checks." Further consideration should be given to extending timeframes for the availability of official checks. Any extension of the current timeframe (next day) or liberal use of the exception hold would be appropriate.

Please feel free to contact me should you have any questions about our comments.

Beverley F. Rutherford  
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