SCHOOLSFIRST
FEDERAL CREDIT UNION

April 29, 2014

Mr. Robert deV. Frierson
Secretary, Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Proposed Rule – Availability of Funds and Collection of Checks (Docket No. R-1409)

Dear Mr. Robert deV. Frierson:

I am writing on behalf of SchoolsFirst Federal Credit Union, which serves school employees and their families in Southern California. We currently have more than 595,000 Members and $10.3 billion in assets. SchoolsFirst FCU appreciates the opportunity to provide comment and feedback on the Board of Governors of the Federal Reserve System's proposed rule regarding the requirement of Availability of Funds and Collection of Checks.

We respectfully provide our opinions, feedback, and recommendations to address the following items within the proposed rule:

- Alternative 1 Framework for Return Requirements and Notice of Nonpayment
- Indemnity Related to Remote Deposit Capture
- Implementation Period
- Summary

Alternative 1 Framework for Return Requirements and Notice of Nonpayment

We agree that in today's virtually all-electronic environment, an expeditious return requirement should not be necessary due to the fact that checks returned electronically are received by the depositary bank within two business days of the check's presentment to the paying bank. Even though a vast majority of institutions are processing checks electronically, we prefer the option of Alternative 1 which requires paying banks that return checks in paper form to provide a notice of nonpayment to the depositary bank by 2 p.m. on the second business day following presentment of the check to the paying bank. This expedited notification reduces the chances of the depositary bank prematurely making insufficient funds available. It is for this reason that we would recommend that the notice of nonpayment be maintained for all paying financial institutions that return checks but would support an increase to the threshold amount from $2,500 to $5,000. This increase will minimize the number of notices the paying bank will be required to send, as well as accommodate currency inflation since the $2,500 threshold was established over 25 years ago, yet still provide an expedited notification.

Indemnity Related to Remote Deposit Capture

The Board purports that electronic images and electronic information will be treated as paper checks; however, there are conflicting statements in a subsequent section when discussing remote deposit capture (RDC) services, which allows for payment of paper checks previously deposited electronically. Banks that receive original checks which have previously been deposited using RDC services should not be given indemnity based on the grounds of potential risks of multiple deposits of a single instrument.

2115 N. Broadway • Santa Ana, CA • 92706-2613
PO Box 11547 • Santa Ana, CA • 92711-1547
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The bank receiving the initial check deposit, whether in electronic or paper form, should be protected. That protection should be extended to the right of first presentment on remote deposit capture items.

We do believe, however, that a depositary bank utilizing RDC technology should be responsible for notifying and educating their customer, at time of presentment, details about retention, storage and destruction to reduce the chance of an item being deposited twice.

Implementation Period

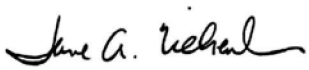
We recommend the proposed effective date period be extended to a minimum of 12 months. This allows ample time for financial institutions to update and make the necessary technology and process changes.

Summary

We would like to emphasize that our industry is evolving and so are the needs of our Members in a time where electronic services are more of a necessity than a benefit. RDC allows for financial institutions to meet that need without the cost of risking security and high liabilities, granting ample controls are in place. We feel that the recommendations above allow us to provide an invaluable service to our Members while minimizing potential risks for all parties involved.

Thank you for the opportunity to comment on this proposed rule and for considering our perspective and recommendation on Availability of Funds and Collection of Checks.

Sincerely,



Jane Eichenbaum
Senior Vice President, Payment & Contact Centers
SchoolsFirst Federal Credit Union

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

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