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AMERICA'S
CREDIT UNIONS

Submitted via email: regs.comments@federalreserve.gov

May 2, 2014

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

Re: Comments on Proposed Rule: Reg CC – Collection of Checks; Docket No. R-1409, RIN 7100-AD68

Dear Mr. Frierson:

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Federal Reserve Board's proposed changes to Regulation CC – Collection of Checks to facilitate the transition to fully-electronic check clearing. 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 138 Georgia credit unions that have more than 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 supports efforts to improve the check clearing process. In addition, we believes that changes to Regulation CC are necessary, as the existing regulation does not reflect the growing surge of check forward presentment and returns now being done electronically. However, we do have some concerns on certain areas of the proposal.

While the FRB has provided two alternatives to encourage all financial institutions to use electronic returns of checks, we do not believe either alternative is the best approach. Numerous small financial institutions continue to receive paper check returns. Because of this, we believe that minimizing the burden on smaller organizations needs to be taken into consideration. Alternative One offers no expeditious return option, and we believe this will result in a slower check return process. Alternative Two offers conditional expeditious return; however, we believe the lack of notice of non-payment for checks greater than $2,500 will cause losses to financial institutions.

Alternative 1

Alternative 1 is intended to offer incentives on financial institutions to accept electronic returns by eliminating the expeditious-return requirement. Under this alternative, depositary institutions that do not currently accept electronic returns would have a greater incentive to do so because by receiving returns electronically would they be likely to learn about nonpayment of a deposited check within the current expeditious-return timeframes. Even though the expeditious return requirement would be eliminated, paying institutions would still be subject to UCC's midnight deadline for returning checks and returning institutions would continue to be required to use ordinary care when returning the item. We believe the $2.500 limit for notice-of-non-payment requirements for paper checks should still be in effect, and eliminating the expeditious-return requirement will result in a slower check-return process.

Alternative 2

Alternative 2 is intended to offer incentives on financial institutions to accept electronic returns by generally retaining the expeditious-return requirement except where the depositary institution has not agreed to accept electronic returns. Under this alternative, depositary intuitions that do not currently receive electronic returns would have a greater incentive to do so because they would not otherwise be entitled to expeditious return of unpaid checks and would therefore be at a greater risk of having to make funds available to their members before learning that the deposited check was returned unpaid. The lack of notice of non-payment for checks greater than $2,500 will cause losses to financial institutions.

We agree that Reg CC's current same-day settlement rule for paper checks should remain unchanged and should not be extended to electronic checks. Under the proposal, electronic checks and electronic returned checks that financial institutions exchange by agreement would also be subject to the check collection and return provisions under Reg CC, unless otherwise agreed by the sending and receiving institutions. We are in agreement with these proposed changes.

The Remote Deposit Capture (RDC) aspect of the proposed regulation, in our opinion, would inhibit the future growth potential of RDC. Few small to mid-sized financial institutions will be able to absorb the added liability this change requires; which is to shift liability to the financial institution that offers RDC from the indemnifying institutions that could later accept the original paper item. This change to Regulation CC could result in financial institutions discontinuing to offer this product. Surely, there are more effective methods that could be implemented that would increase the use of this technology, instead of institutions potentially moving away from a service that is beneficial to consumers.

Electronically Created Items or Electronic Payment Orders (EPOs) are electronic images that resemble images of the fronts and backs of a paper check that was created electronically. We agree that electronic checks and returns should be subject to the check collection and return provisions of Regulation CC.

Finally, we do not agree that the proposed effective date of six months is sufficient time to make the necessary changes to implement these proposed changes for Reg CC. We feel that small to mid-sized financial institutions will need at least a 12- month implementation period to ensure sufficient time is allowed to implement the changes.

GCUL appreciates the opportunity to present comments on behalf of Georgia's credit unions in regards to Payment System Improvements. Thank you for your consideration. If you have questions about our comments, please contact Selina Gambrell or Cindy Connelly at (770) 476-9625.

Respectfully submitted,

Selina M. Gambrell

Selina M. Gambrell
Compliance Specialist