

Proposal: 1637 (AF28) Reg CC - Availability of Funds and Collection of Checks

Description:

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Comment ID: 133443

From: Iowa Bankers Association, Julie Gliha

Proposal: 1637 (AF28) Reg CC - Availability of Funds and Collection of Checks

Subject: R-1637 - Regulation CC - Availability of Funds and Collection of Checks

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Comments:

Date: Jan 28, 2019

Proposal: Regulation CC - Availability of Funds and Collection of Checks [R-1637]

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Your comment: January 28, 2019

Board of Governors of the Federal Reserve System

Attn: Ann E. Misback, Secretary

20th Street and Constitution Avenue NW

Washington, DC 20551

Re: Availability of Funds and Collection of Checks (Regulation CC)

Docket No. R-1637 and Docket No. CFPB-2018-0035

Dear Madam or Sir:

The Iowa Bankers Association (IBA) is a trade association representing 98 percent of the more than 300 state- and national-chartered banks and federal thrifts operating in the state of Iowa. The IBA submits this letter to the Bureau of Consumer Financial Protection (Bureau) and Board of Governors of the Federal Reserve System (Board) in response to a request for comments on amendments to Regulation CC. We want to thank the Bureau and Board for its leadership in soliciting our input.

Threshold Changes

The Board and Bureau have requested comment regarding the calculation methodology for implementing statutory requirements to adjust the dollar amounts in the Expedited Funds Availability Act (EFA Act). The EFA Act states:

(f) Adjustments to dollar amounts for inflation

The dollar amounts under this chapter shall be adjusted every 5 years after December 31, 2011, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, as published by the Bureau of Labor Statistics, rounded to the nearest multiple of \$25.

The IBA agrees that the aggregate percentage change in the CPI-W from July 2011 to July 2018 is appropriate for the initial inflation measure. Further, the IBA supports the release of the measure in the first quarter of 2019 with an effective date of April 1, 2020. These timelines seem appropriate to allow for related adjustments in documents (forms, tools, policies, procedures, training, etc.) and software.

We further support using similar time frames for future adjustments.

The IBA agrees there must be a balance between the interest of account customers in receiving prompt availability of their deposited funds and the interest of depository institutions in minimizing risks from making funds available before learning of checks or other items being returned. While the EFA Act states that such adjustments should be rounded to the nearest multiple of \$25, the IBA suggests that each annual adjustment calculated as stated with the final measure rounded up to the nearest \$100. For example, using the proposed methodology, for section 229.13(d) related to large deposit items, rather than the adjusted level of \$5,525, per our suggestion, this would be rounded up to \$5,600. For section 229.10(c)(1)(vii), rather than \$225, the new amount would be \$300. IBA members believe rounding the final factor up to the nearest \$100 would reduce calculation errors and make the adjustments more understandable to the financial institution staff and its customers. Our members expressed the challenge in implementing periodic or annual adjustments required by other regulations, emphasizing the training and implementation challenges created by uneven threshold amounts which are more difficult for staff to remember. The increase of \$75 in this example will benefit consumers and will not significantly increase the risk to financial institutions.

For future adjustments every five years, the increase would be based on the measure prior to rounding which may result in fewer adjustments to this threshold. For example, for section 229.10(c)(1)(vii), the after CPI-W adjustment would have been \$221 as of July 2018. This amount, instead of the rounded amount of \$225 (or \$300 as we propose), would be the basis for the next CPI-W adjustments. As such, if hypothetically, the next five year adjustment raised this to \$255, the amount of \$300 would still be adequate to meet the EFA statute requirements.

We thank the Board and Bureau for its thoughtful consideration of our comments. If you have any questions related to these comments, please feel free to contact me at 800-532-1423 or via the email address below. Thank you for your time and consideration.

Sincerely,

Julie Gliha, CRCM, MBA  
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Iowa Bankers Association  
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