



---

411 North Avenue East · Cranford · New Jersey 07016-2436 · (908) 272-8500 · Fax (908) 272-6626 · Website: [www.njleague.com](http://www.njleague.com)

November 19, 2004

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington D.C. 20551

Attention: Docket No. R-1210  
Electronic Fund Transfers  
69 FR 55996

Dear Ms. Johnson:

The Operations & Technology Committee of the New Jersey League of Community Bankers\* ("the League") is pleased to comment on the proposal to revise Regulation E. The League supports many of the proposed changes and applauds the initiative to keep regulations current with the technological and market changes in the industry.

The League believes that consumers should be informed by the merchant at the point of sale when their check is converted to an electronic funds transfer (EFT). The merchant notice should be clear and posted in a conspicuous manner. This notice is important since the consumer must be made aware that their checking account may be charged sooner with an EFT than by a traditional check and that they will not receive a cancelled or imaged check with the monthly statement. We do not believe it is necessary for the merchant to obtain a separate written authorization to initiate a one-time electronic fund transaction of this type.

The League does not believe that it is appropriate, however, to require that this notice be provided for each individual payment in a loan payment coupon book in cases when there will be an EFT conversion. We request the Federal Reserve to permit community banks and other payees that issue coupon books to print a one-time notice in the front of each book rather than print the notice on each individual coupon because of space limitations.

---

\* The New Jersey League of Community Bankers, founded in 1908, is a trade association representing 68 of New Jersey's savings banks, savings & loan associations and commercial banks with total assets of over \$60 billion. The League's wholly-owned subsidiary, the Thrift Institutions Community Investment Corporation ("T.I.C.I.C.") assists League members in forming consortia to make loans on low-to-moderate income housing and economic development projects throughout New Jersey. Since its founding in September 1991, T.I.C.I.C. has facilitated loans on nearly 4,500 affordable housing units and has loans in process on over 500 more affordable housing units. Loans made and loans in process total nearly \$302 million.

**Gary T. Jolliffe**  
**Chairman**  
President/CEO  
Millington Savings Bank  
Millington, NJ 07946

**Raymond G. Hallock**  
**First Vice Chairman**  
President/CEO  
Columbia Bank  
Fair Lawn, NJ 07410

**Robert S. Monteith**  
**Second Vice Chairman**  
President/CEO  
NVE Bank  
Englewood, NJ 07631

**Samuel J. Damiano**  
**President**  
New Jersey League  
of Community Bankers  
Cranford, NJ 07016

In general, the League believes that Regulation E should apply only to those payroll cards that have similar characteristics to traditional deposit accounts and not to those that are designed to be treated like cash. An example of those in the former case includes payroll cards that may allow additional deposits to the card, have a PIN or signature based security feature, a printed name on the card or the ability to use the card as a traditional credit or debit card. Other forms of payroll cards are designed only to provide an alternative to a paycheck. They are not designed to function like a traditional deposit account that accepts multiple credits and debits and identifies a specific individual with a specific account number and account balance. Accordingly, Regulation E should not apply to these arrangements.

The League supports the proposal's clarification that if a consumer fails to notify the institution of an error in a timely manner, the institution is not required to comply with Regulation E's investigation requirements and time limits. We also request the Federal Reserve to consider a 60-day timeframe that begins to run on the calendar day following the settlement date of the entry to provide consistency between NACHA rules and Regulation E. Financial institutions need clear guidelines when faced with disputes regarding electronic items.

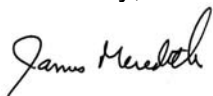
The League supports the withdrawal of the interpretation that a recording of a telephone conversation with a consumer who agrees to recurring debits does not constitute written authorization. We also urge the Federal Reserve to specify whether a recorded conversation is consistent with the E-Sign Act and is Regulation E compliant.

The League urges the Federal Reserve to acknowledge that a stop payment order stops a single electronic funds transfer and is not sufficient to stop a recurring debit.

Finally, the proposal would add to the compliance costs of community banks, with new disclosures having to be printed and mailed to customers. Nevertheless, the League generally supports the disclosure requirement, as long as financial institutions have sufficient time to implement this change. Many institutions have already established compliance budgets and ordered Regulation E disclosures for the coming year. We therefore request that institutions be given one year to comply with the revised notice requirements.

Thank you for this opportunity to comment. If there are any questions or a need for clarification, please contact me at 908 272 8500, ext. 614, or at [jmeredith@njleague.com](mailto:jmeredith@njleague.com).

Sincerely,



James M. Meredith  
Senior Vice President

/JM