

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

Description:

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From: Altra Federal Credit Union, Josh Goodman

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

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Comments:

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

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Your comment: Dear Madam or Sir:

Altra Federal Credit Union is a federally chartered Credit Union located in Onalaska, WI serving members in all 50 states. Altra, on behalf of our members, would like to submit this letter to the Bureau of Consumer Financial Protection and Board of Governors of the Federal Reserve System to comment on amendments to Regulation CC. Specifically, we would like to focus on the Regulation, itself, and the need to change the two and seven day holds requirement for pledging funds.

As a general rule, a standard return on a check deposited will normally arrive back at the Bank of First Deposit on the third banking day after the initial transaction. In effect, this makes the "local hold" option of a two business day hold useless. By the time the return item comes back, the funds have already been released. In a situation where a member/customer is being scammed, they will be advised to pull out most, if not all of the funds, as soon as the hold is released and send those funds back to the scammer. If the hold falls off before the return is received, the hold essentially did nothing for the member/customer as they are now on the hook to pay back the funds from that item which they negotiated in good faith.

At the same time, if the Financial Institution receives the return on the third, sometimes fourth, banking day, a seven banking day hold is longer than what would be needed to receive the return. With that in mind, Altra would like to see steps taken to get this regulation moved closer to the reality of the return timeline and institute one hold, eliminating the other two, that would more accurately help find those fraudulent checks while also protecting the member/customer from potential losses on a fraudulent check.

Additionally, with the increase of technology, the fraudulent checks that are being sent are becoming more sophisticated and are very difficult to tell the difference between legitimate and fraudulent checks. However, the criteria for placing a hold, laid out in Reg CC, is often not applicable when discovering that a check should have a pledge on it. This could be an opportunity to update the pledge hold criteria to more accurately reflect some of the features that we now look for when trying to discover these suspicious items. One such thing that can be used to determine if additional questions should be

asked is if the check is written from a payor who is from another part of the country. We also look to see if checks from that payor have been deposited in the past. A suggestion for a new reason for a pledge hold could be "new funding source".

In a lot of ways, the burden of protecting the member/customer falls on the Financial Institution.

However, with the Regulation being so out of touch with the reality of returns and how the system works, the regulation is, essentially, making it more difficult for Financial Institutions to protect members from being scammed. This Regulation, which was designed to make it easier for consumers to get funds in a reasonable time period has, in fact, made them easy and vulnerable targets for fraudsters who know the regulation better than they do.

We would like to thank the board for its leadership in soliciting input and your time in considering these comments. If there are any questions, please feel free to reach out to me directly at 800-755-0055 or at the email address listed below.

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