

REGULATION CC

The Basics of Funds Availability

At Central Sunbelt Federal Credit Union, our policy is to make deposits available to our members on the same day. Generally this means we do not place holds on our members' deposits. However, we may place a hold on a deposit on a case-by-case basis. We may also use an EXCEPTION reason to place a longer hold on a deposit.

The decision to place a hold is based on many factors. Basically, we must balance the convenience of our members with the need to protect the Credit Union from losses.

Some of the common issues when placing holds are:

- Next day items
- Local Checks
- Large Deposits
- Exception Holds
- New Accounts

The examples listed are not all-inclusive. If you have a questions regarding a certain hold procedure, or if you have a question on a specific deposit, check with your supervisor. Supervisors should contact the Director of Operations if they have questions on a particular transaction.

Background information

Regulation CC is the specific set of rules and procedures to enforce the Expedited Funds Availability Act. Sometimes you will hear or see the term EFAA or Expedited Funds used along with or instead of Reg CC. Basically, they mean the same thing. The Expedited Funds Availability Act is the law that was passed by Congress back in 1987.

Congress passed this law because some banks and credit unions would hold checks deposited by their customers/members for an unreasonable amount of time. Some did this to prevent losses from bad checks. Others were simply taking advantage of the money they could earn on the "float" at the expense of their customers/members. While Congress and the regulators understand that a bank/credit union needs to prevent losses from fraudulent activity, they do not want to see abusive hold practices cause hardship for customers/members. So the EFAA and Reg CC try to balance the needs of the customer/member with the need to protect the bank/credit union.

Regulation CC sets out a specific schedule of when funds must be made available. It also sets up certain exceptions to this schedule so that a bank/credit union can be protected from losses.

NEXT DAY ITEMS

The following items generally need to be made available NEXT day:

- Cash
- Electronic Payments: Wire transfers and ACH
- U.S. Treasury check
- U.S. Postal Service Money Order
- Cashier's check
- Certified check
- Tellers check
- "On-Us" check
- Federal Reserve Bank check
- Federal Home Loan Bank check
- State or Local Government check

Please note the U. S. Postal Service Money Order; these are the only money orders that are considered Next Day items. If the money order is not a U. S. Postal Service Money Order, then it will be a local item.

EXCEPTIONS TO THIS RULE:

- Third party checks
- Deposits not made in person
- Deposits totaling more that \$5000.00 in a single banking day

1. **Third Party Check**

If our member is not one of the payees on the face of the check, you can place the following hold as appropriate and give the member a "Case-By-Case" Hold Notice:

\$200.00 next day availability then:

| | |
|-----------------------------------|-----------------------|
| On-Us check | still a next day item |
| Treasury check | 2-day hold |
| U.S. Postal Service Money Order | 2-day hold |
| Cashier's check, Certified check, | 2-day hold |
| Tellers check, FRB check, | 2-day hold |
| Federal Home Loan Bank Check, | 2-day hold |
| State or local Gov't check | |

2. **Deposit Not Made in Person**

If any of the following checks are deposited in the ATM, Night Deposit, or by mail, you can place the following hold as appropriate and give the member a "Case-By-Case" Hold Notice:

| | |
|----------------------|-----------------------|
| U. S. Treasury check | Still a Next Day Item |
|----------------------|-----------------------|

| | |
|--|-------------------------|
| On-Us check | Still a Next Day Item |
| U.S. Postal Service Money Order | 2-day (local hold) hold |
| Cashier's check, Certified check, teller's Check, FRB check Federal Home Loan Bank check or local Government check | 2-day hold |

3. **Large Deposit**

If any next day items (other than cash) are more than \$5000.00, or are part of a deposit (or deposits) by a member that are more than \$5000.00 on a Banking day, then you can use the Large Deposit Exception.

LOCAL CHECK

If you place a hold on a local check, the funds must be available to the member by the 2nd day following the deposit, otherwise known as a 2 day hold. In addition, the first \$200.00 of local checks must be made available to the member by the NEXT DAY.

This type of hold is considered a Case-by Case.

If the member is making the deposit in person, you should give the receipt to the member noting the date the funds will be available for withdrawal.

If the deposit was not made in person, you must mail the receipt no later than the business day following the banking day on which the deposit was made.

Good member service means that you should also try to contact the member by telephone to notify the member of delayed availability.

A local check can be held for a longer period of time if one of the "Exception" reasons can be used.

\$200.00 AVAILABILITY

1. \$200.00 of the local items in a deposit must be made available to the member by the NEXT day.
2. The \$200.00 is IN ADDITION TO any other next day items in the member's deposit.
3. **The only time the \$200.00 does not need to be made available is under the following situations:**
 - > If a member is depositing a check that has already been returned NSF.
 - > If a member has a repeated overdraft status.
 - > You have reasonable cause to doubt collectability of the ENTIRE deposit. (Example: You call the payer bank and you are told there are not sufficient funds to pay the check.) Please note, if the member is depositing several items, and you doubt collectability on

only one item, you can hold that entire item but the rest of the deposit is subject to the normal availability.

> There has been a natural disaster that has interrupted the credit union's communication and/or computer equipment.

> You use the New Accounts exception during the first 30 days for a brand new member.

LARGE DEPOSIT EXCEPTION

If the check or checks in a deposit exceed \$5000.00, you can extend the hold on the amount above \$5000.00. This exception applies to ALL checks including Treasury checks, U.S. Postal Service Money Orders, Cashier's checks, etc.

The total deposits to the account in any one day can be added together in order to invoke this exception.

The first \$5000.00 must be made available either NEXT DAY or 2-days depending if the check(s) is a NEXT DAY check or local check.

The first \$200.00 of the local items must be made available the next day.

The remainder of the check(s) is made available as follows:

| | |
|---|------------|
| On-U.s | 2-day hold |
| Treasury checks, U.S. Postal service MO | 7-day hold |
| Local checks | 7-day hold |
| Cashier's check, Certified check, | 7-day hold |
| Tellers check, FRB check, Federal | 7-day hold |
| Home Loan Bank check, State or local | 7-day hold |
| Government check | |

You MUST give the member a hold Notice with the Large Deposit Exception indicated.

OTHER EXCEPTIONS

The hold schedule for "exceptions" holds is as follows:

| | |
|-----------------------------------|------------|
| On-U.s checks | 2-day hold |
| Treasury check | 7-day hold |
| U.S. Postal Service MO | 7-day hold |
| Cashier's check, Certified check, | 7-day hold |
| Tellers check, FRB Check, Federal | |
| Home Loan Bank check, State or | |
| Local Gov't check | |
| Local checks | 7-day hold |

The Exception Hold reasons are:

1. Reasonable cause to doubt collectability
2. Redeposited checks
3. Repeated overdraft
4. Emergency conditions

Reasonable cause to doubt collectability

1. If you have a “reasonable cause” to doubt collectability of a check, you can extend the hold.
2. You do not need to make \$200.00 available from any check that you doubt collectability.
3. Reasonable cause to believe a check is uncollectible requires existence of facts that would cause a well-grounded belief in the mind of a reasonable person. Such belief shall not be based on the fact that the check is of a particular class or is deposited by a particular class of persons.
4. An example of “reasonable cause” would be if you call the payer bank, and they tell you there are “Not Sufficient Funds” to pay the check.
5. Another example would be if you call the issuing bank on a Cashier’s check and they tell you that the check could be a forgery.
6. You MUST give the member a Hold Notice with this exception marked. The reason for doubting collectability must also be marked.
7. A depository credit union must retain a record of each notice of a reasonable-cause exception, as well as a brief statement of the facts causing the credit union’s reason to doubt the collectability of the check, including confidential information. If the information is confidential, the exception must be marked but the confidential information need not be given to the member just on credit union’s copy.

Redeposited Checks

If a member is redepositing a check that has previously been returned NSF:
\$200.00, availability does NOT apply to the item
You MUST give the member a Hold Notice with this exception marked.

Repeated Overdraft

If a member has been repeatedly overdrawn:

If a member’s account or any combination of the member’s accounts has had a negative balance, or would have had a negative balance if checks had been paid rather than returned, on six or more banking days within the preceding six months. This test can be met based on one occurrence (for example, a member’s account that remains overdrawn for six banking days) or separate occurrences (for example, checks returned for insufficient funds on six different days). If the credit union dishonors a check that otherwise would have created a negative balance, the incident is considered an overdraft only on that day.

If a member’s account has had a negative balance or might have had a negative balance in an amount of \$5000.00 or more on two or more banking days,

\$200.00, availability does NOT apply to the item.
 You MUST give the member a Hold Notice with this exception marked.

Emergency Condition

Emergencies would include circumstances such as:
 An interruption of communications, computer, or other equipment facilities:
 A suspension of payments by another institution
 A war
 An emergency condition beyond the control of the depository credit union
 \$200.00 Availability does NOT apply to the item
 You MUST give the member a Hold Notice with this exception marked

New Accounts exception

An account is defined as a new account during the first 30 days after it has been opened with an initial deposit.
 An additional account opened by a member would not be a new account if the member has an established joint account and then opens an individual account.
 A new account would be established if the member has an existing savings deposit, rather than a transaction account (checking), and opens a checking account.

When you use the “New Accounts” exception, the following availability schedule should be followed.
 (NOTE - you can shorten the number of days for holds on the following schedule, but you CANNOT lengthen the number of days.)

| Type of Deposit | Additional Comments | Availability / or # of days to hold |
|---|---|-------------------------------------|
| Cash | | Next Day |
| Electronic Direct Deposit | | Same Day |
| Wire Transfers | | Next Day |
| Checks from: U.S. Treasury, U.S. Postal Money Order, Federal Reserve Bank, Federal Home Loan Bank, state & local government, Cashier’s, Certified, Teller’s, & Travelers checks deposited in person & payable to the account holder <i>(not 3rd party checks)</i> | The first \$5,000 of deposits made from these types of items and deposited on the same business day | Next Day |
| Checks from: U.S. Treasury, U.S. Postal Money Order, Federal Reserve Bank, Federal Home Loan Bank, state & local government, Cashier’s, Certified, Teller’s, & Travelers checks deposited in person & payable to the account holder <i>(not 3rd party checks)</i> | Any amount OVER \$5,000 of these types of items deposited on the same business day | 9 Day |
| Treasury checks NOT deposited in person | The first \$5,000 of the Treasury Check deposit | Next Day |

| | | |
|---|---|---|
| Treasury checks NOT deposited in person | Any amount OVER \$5,000 of the Treasury Check deposit | 9 Day |
| Any "3rd-Party" check regardless of who issued the check. This includes 3rd Party Treasury, Money Order, Cashier's, Traveler's & other government checks. | \$200 rule does NOT apply | <i>Reg. CC does not specify a limit on these checks for a New Account Hold.</i> |
| Any checks not listed above: This would include regular checks, personal checks, "on-us" checks, etc. | \$200 rule does NOT apply | <i>Reg. CC does not specify a limit on these checks for a New Account Hold.</i> |