

Compliance: Regulation CC

Availability of Funds and Collection of Checks



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Introduction

Even the most experienced member service representative or teller can encounter difficulties in knowing when, and for how long, a check should be placed on hold. By understanding the situations and reasons holds can be placed, a lot of the guesswork can be eliminated from this procedure.

The purpose of this course is to help you recognize the compliance requirements surrounding funds availability. This course equips you to make decisions on when, and how long, to place check holds.

Objectives

The objectives for this course are to:

- Identify the major elements of Regulation CC;
- Recognize instances under which funds should be available on a next-day basis;
- Determine how long holds can be placed on items;
- Recognize the circumstances and timelines for “exception” holds; and
- Identify required disclosures and notices to members.

Focus on Member Service

As you know, credit unions strive to do what is in our members’ best interest, by focusing on them and providing good service.

It is generally easy to follow government guidelines so that funds are made available soon

after deposit. We want to give our members access to their money as quickly as possible.

There are times, however, when it is in the best interest of *all* of our members to place holds on certain checks and ensure the funds will actually be available to cover that check. When doing this, we want to be sure we are legally compliant while providing the best service we can for our members.

In this course, you learn the circumstances under which check holds can be placed, as well as the length of various holds. This allows you to provide funds in a timely manner for individual members, while maintaining safe practices that protect the financial benefits for your membership as a whole.



What is Regulation CC?

Regulation CC—the Availability of Funds and Collection of Checks—was issued by the Federal Reserve Board to implement the Expedited Funds Availability Act.

The Expedited Funds Availability Act (EFAA)

- Next-day basis availability for low-risk deposits.
- Congress established a schedule for funds to be available.
- Several exceptions are allowed.

The act was created to curb abuses by financial institutions that were placing long holds on deposits. The EFAA established a framework for expediting the availability of funds and the return of checks.

It requires that low-risk deposits should generally be made available on a next-day basis. The time when other check deposits must be available for withdrawal once depended on whether the check was “local” or “non-local” to the institution.

Congress established a permanent schedule which became effective on September 1, 1990. It contained specific time frames in which funds from check deposits were to be made available. Recognizing that the specific availability schedules create a risk for depository institutions, since funds may be withdrawn prior to the return of a check, Congress provided several exceptions that permit credit unions to extend holds beyond the statutory schedules.



Major Elements of Regulation CC

- Transaction accounts only (checking).
- Low-risk transactions.
- Next day availability of funds.
- Local checks.

Transaction Accounts

Regulation CC applies to all credit unions, but it only applies to transaction accounts. Non-transaction accounts, such as most credit union regular share accounts or membership accounts, are not governed by Reg CC. So Regulation CC does not apply to savings accounts; only to checking or share draft accounts.