

May 3, 2005

Jennifer J. Johnson, Secretary,
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

VIA FACSIMILE: (202) 452-3819/(202) 452-3102

Re: AMENDMENT TO REGULATION CC – REMOTELY CREATED CHECKS

I am writing on behalf of the North Carolina Credit Union League and North Carolina's 140 credit unions. As an organization that serves as a regulatory advocate for credit unions, we appreciate the opportunity to provide comments to the Federal Reserve Bank regarding the proposal to amend Regulation CC. This comment letter represents comments received directly from 26 North Carolina credit unions.

The Federal Reserve has proposed amendments to Regulation CC (Availability of Funds and the Collection of Checks) governing remotely created checks. A remotely created check does not bear the customer's signature and generally bears a statement that the customer authorized the check usually by telephone authorization. For financial institutions these checks have been particularly costly and time consuming when they are fraudulently deposited or cashed.

Currently a customer must identify a fraudulent remotely created check by midnight of the day of presentment in order for the financial institution to return the item through the Federal Reserve Bank. If a fraudulently created remote check is not identified immediately by the customer a financial institution must manually return the item to the bank of first deposit. This process is time intensive and costly for financial institutions.

The proposal includes several options to improve the collection of remotely created checks. We support the first option offered in the proposal - *Extension of the Midnight Deadline*.

We encourage the Federal Reserve to consider this option because it would allow financial institutions to return more checks through the Federal Reserve check collection system, rather than manually mailing or delivering the original items to the bank of first deposit. For a financial institution time is a key element in reducing losses associated with check fraud.

Respectfully submitted,

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C: John Radebaugh, President