

Congress of the United States

Washington, DC 20515

December 8, 2004

Board of Governors
of the Federal Reserve System
Alan Greenspan
Chairman
Roger W. Ferguson, Jr.
Vice Chairman
Edward M. Gramlich
Susan Schmidt Bies
Mark W. Olson
Ben S. Bernanke
Donald L. Kohn

Re: Shortening Deposit Hold Times After Check 21

Dear Sirs:

We urge the Federal Reserve promptly to exercise its authority under the Expedited Funds Availability Act (EFAA) to adjust the current hold time periods for deposited checks in light of changes made to the check clearing system by the implementation of the "Check Clearing for the 21st Century Act" (Check 21).

As you know, Check 21, which became effective on October 28, 2004, improves the overall efficiency of the country's payment system by allowing banks to clear checks electronically without having to enter into separate agreements with each bank. Because Check 21 allows banks to clear checks faster, the Federal Reserve should consider shortening the existing maximum hold time periods to reflect the changes that have been made to the check clearing system. In this way consumers, and not just banks, will realize the benefits created by the faster check clearing that is facilitated under Check 21. Unfortunately, this may not be the case without regulatory action. In an editorial published in *The New York Times* on October 31, 2004 entitled, "Check This Out," it is estimated that "as banks start using the new procedures, unsuspecting consumers will bounce an estimated seven million more checks a month and pay an additional \$170 million monthly bounced-check fees."


Section 16 of Check 21 requires the Federal Reserve, within 30 months from the effective date of the law, to conduct a study on the appropriateness of the time periods and amount limits applicable under the EFAA. However, that provision does not affect the Federal Reserve's continuing obligation under section 603(d)(1) of EFAA to "reduce the time periods" of check holds under "the improved check clearing system." We believe it is inappropriate to continue to allow banks to reap increased profits from holding their customer's funds for longer than it actually is taking the banks to process these funds. Rather than waiting for more than two years

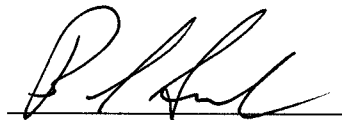
under section 16 of Check 21 to adjust the maximum hold time periods, the Federal Reserve should consider making these changes now.


Rep. Carolyn Maloney, along with Reps. Jackson, Engel, Markey, and Sanders, introduced H.R. 5410, the "Consumer Checking Account Fairness Act," on November 19, 2004. The bill would require, among other things, the Federal Reserve to consider adjusting the maximum hold time periods in light of new efficiencies created under the Check 21. We hope that the Federal Reserve will exercise its existing statutory authority under EFAA in light of the expedited check clearing that will result from Check 21, without the need for Congress to act.


Sincerely,



CAROLYN B. MALONEY
Member of Congress



BARNEY FRANK
Member of Congress



BERNARD SANDERS
Member of Congress



ELIOT ENGEL
Member of Congress

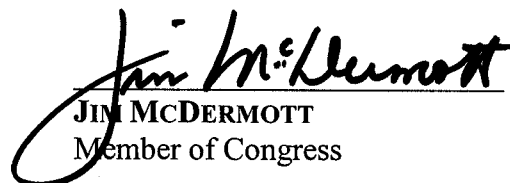

DIANE WATSON
Member of Congress

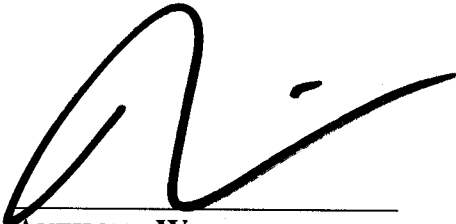

WILLIAM LACY CLAY
Member of Congress


GARY ACKERMAN
Member of Congress

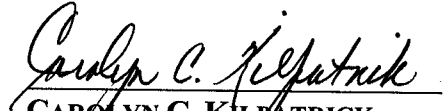

GEORGE MILLER
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BARBARA LEE
Member of Congress



JIM MCDERMOTT
Member of Congress



ANTHONY WEINER
Member of Congress



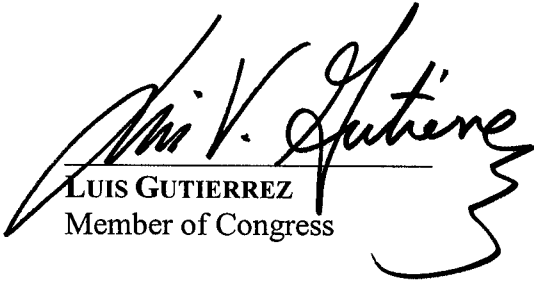
CAROLYN C. KILPATRICK
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TAMMY BALDWIN
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LUIS GUTIERREZ
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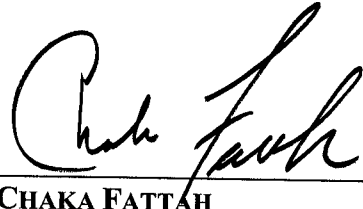
MAXINE WATERS
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GREGORY W. MEEKS
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JAMES MORAN
Member of Congress



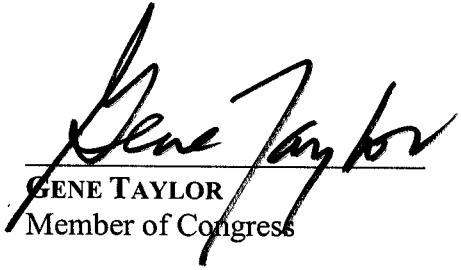
CHAKA FATTAH
Member of Congress

Edward J. Markey

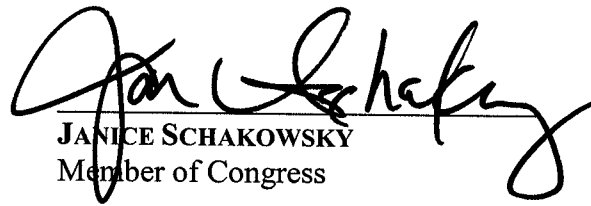
EDWARD J. MARKEY
Member of Congress

Edolphus Towns

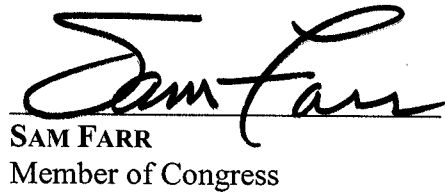
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SAM FARR
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