

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



May 3, 2007

CSS LETTER: 07-07

ALL IV-D DIRECTORS
 ALL COUNTY ADMINISTRATIVE OFFICERS
 ALL BOARDS OF SUPERVISORS

<u>Reason for this Transmittal</u>	
<input type="checkbox"/>	State Law or Regulation Change
<input type="checkbox"/>	Federal Law or Regulation Change
<input type="checkbox"/>	Court Order or Settlement Change
<input checked="" type="checkbox"/>	Clarification requested by One or More Counties
<input type="checkbox"/>	Initiated by DCSS

SUBJECT: PAYMENTS RECEIVED FROM FOREIGN COUNTRIES

The purpose of this letter is to communicate the Department of Child Support Services (DCSS) policy and procedures regarding processing of foreign item payments. Foreign items are defined as any check or draft received from a non-U.S. bank and may or may not be issued in United States Dollars (USD).

Depending upon the country/bank of origin and currency, the State Disbursement Unit (SDU) follows different procedures to process the payment. On a daily basis, the SDU Service Provider (SP) receives a Foreign Item Rate Sheet (FX Rate Sheet) from Bank of America. Common currencies listed on the FX Rate Sheet can easily be converted to USD and deposited. However, if a foreign check/draft is received that is listed on the FX Rate Sheet as "collection only"; not listed on the FX Rate Sheet or written in USD, it must be sent to the foreign bank for collection. Collection is a process banks use to receive credit for items from the paying bank prior to crediting the account.

The following information identifies the policies and procedures associated with foreign check/draft payments.

Foreign Checks/Drafts Written in Currencies Listed on the FX Rate Sheet

The SP will immediately deposit checks/drafts written in foreign currencies listed on the FX Rate Sheet. The amount deposited will be the foreign currency amount multiplied by the conversion rate listed on the FX Rate Sheet. Upon confirmation that the payment has been successfully converted, the SP shall prepare a check and place into the payment stream. It takes approximately four (4) business days to convert items that are listed on the FX Rate Sheet.

Foreign Checks/Drafts Written in Currencies that are Listed on the FX Rate Sheet as “Collection Only” or are NOT Listed on the FX Rate Sheet

Check/drafts written in foreign currencies listed as “collection only” on the FX Rate Sheet or not listed on the FX Rate Sheet will be evaluated to determine if the payment can be processed by the foreign financial institution. Since foreign financial institutions will deduct their fees from each payment received for collection processing, they cannot process payments that are valued at less than the amount of their fees. The amounts foreign banks charge for collection fees can vary a great deal. As a general rule of thumb, the fees can range from \$50 to \$150 USD per payment:

- Foreign Bank Fees Exceed Item Value

If upon evaluation of the foreign item, the fees would exceed the value, the item will be deemed non-negotiable and must be returned to the non-custodial parent (NCP).

- Checks/drafts Value Exceed Foreign Bank Fees

Checks/drafts with a value exceeding the foreign bank fees will be sent out for collection. Upon receipt of funds in USD from the foreign financial institution, the SP shall deposit the funds into the payment stream. The NCP will be credited with the full exchange amount. The foreign bank and Bank of America fees will not be deducted from the payment.

The collection process can take up to eight (8) weeks. Therefore, the LCSAs shall work with NCPs located in foreign countries to advise the NCP of alternative payment methods, as defined in the “Alternative Payment Options” of this letter that may result in a more timely receipt of funds.

Foreign Check/Drafts Written in USD

Checks/drafts received from a foreign financial institution written in USD must be sent out for collection. Canadian financial institutions are typically exempted from this process, as they frequently have branches in the United States. The check will be evaluated as described above prior to sending out for collection. Upon receipt of funds in USD from the foreign financial institution, the SP shall deposit the funds into the payment stream. The NCP will be credited with the full exchange amount. The foreign bank and Bank of America fees will not be deducted from the payment.

The collection process can take up to eight (8) weeks. Therefore, the LCSAs shall work with NCPs located in foreign countries to advise the NCP of the delay caused by the chosen payment method and provide the NCP with alternative payment methods that may result in a more timely receipt of funds.

Foreign Checks/Drafts Written in Currencies that are Listed as “Do Not Buy” on the Daily FX Rate Sheet

Checks/drafts listed as “do not buy” on the FX Rate Sheet cannot be processed, will be deemed non-negotiable, and must be returned to the NCP. Generally if a currency is listed as “do not buy,” the financial institutions in that country are not exchanging currencies with the United States. As of January 31, 2007, there was only one currency listed as “do not buy.”

The LCSAs should work with NCPs located in a foreign country that has a “Do Not Buy” designation to advise the NCP of alternative payment methods.

LCSA Responsibilities when Checks/Draft are Sent Out for Collection

When a foreign check/draft must be sent out for collection, as indicated above, the SP will immediately log the payment, send it out for collection, and notify DCSS. DCSS will then notify the LCSA. The LCSA shall update the case notes and contact the NCP to notify them that their payment was received, but is being sent out for collection and may take up to eight (8) weeks to process. The LCSAs should advise the NCP of alternative payment options.

If the funds are successfully collected, the SP will issue a check for the amount of the converted funds received from the foreign financial institution including any fees that were deducted and process it through the collections stream. DCSS will notify the LCSA upon successful collection. The LCSA should update the case notes and advise the NCP.

If funds are not successfully collected, the foreign check/draft shall be returned to the NCP. DCSS will notify the LCSA. The LCSA shall contact the NCP to inform the NCP that collection was unsuccessful and advise the NCP of alternative payment options.

Alternative Payment Options

In an effort to provide a NCP with viable payment options or options that can be processed in a timelier manner, LCSAs should recommend that NCPs make payments by methods that would not be subject to the collection process. The NCPs should be advised to consult with their local financial institution for options that may be available. In addition, the NCP should be advised of other payment alternatives listed below. Many of these options require a US bank account, and may not be available to all NCPs. Alternative payment options include:

- United States Visa or MasterCard Credit Cards (as of March 22, 2007)
- Western Union - USD
- Drafts, payable in USD, drawn on a bank with a corresponding bank in the U.S.
- Electronic Funds Transfer (EFT)

- Checks/Drafts drawn on foreign banks should be written in the foreign currency and not USD

If the NCP is unable to take advantage of one of the alternative options or decides to continue making payments by a foreign check/draft, LCSAs are encouraged to work with NCPs, and the courts if necessary, to establish payment plans that ensure the converted payment value is greater than the foreign bank collection fees. Otherwise, payments could be deemed non-negotiable.

DCSS is committed to making the child support payment process efficient for all customers. We will continue to explore additional payment alternatives for NCPs who live in foreign countries. We will release additional information as alternative payment options become available.

If you have any questions or concerns regarding this matter, please contact Teresa Westervelt at (916) 464-3292.

Sincerely,

o/s/CHER WOEHL

CHER WOEHL
Deputy Director, Administrative Services Division