Statement by

Preston Martin

Vice Chairman, Board of Governors of the Federal Reserve System

before the

Subcommittee on Financial Institutions Supervision,

Regulation and Insurance

of the

Committee on Banking Finance and Urban Affairs

United States House of Representatives

April 4, 1984

I am pleased to appear before this subcommittee to present the views of the Federal Reserve Board on the issue of delayed availability--the practice of some depository institutions (and other intermediaries such as money market funds) to impose "holds" on funds representing checks deposited by customers. There is no subject in consumer banking today that has generated more consumer interest and controversy. This topic is an extremely complex one, and has been the subject of several Congressional hearings in the past few years. While there are no easy solutions to this sometimes frustrating problem, I believe that we have begun to see some progress in the area, as witnessed by the recently issued joint policy statement of the federal regulators and our own recent experience in experimenting with ways to speed up the return of dishonored checks. Recent legislation in the states of New York and California, as well as proposed legislation now pending before both Houses of Congress have also addressed this problem.

We at the Federal Reserve recognize that delayed availability can be a source of confusion, annoyance, inconvenience and even embarrassment to consumers. Let me reaffirm our position that we do not sanction the practice of undue delays in providing collected funds to depositors. We are concerned, however, that some solutions proposed to date may have results that could be conceivably worse than the problem itself. That is why we have spent a considerable amount of time studying this issue--easy solutions are just not forthcoming. Even the legislative solutions put forth so far may not be entirely successful in resolving the problem. I am concerned that unless we fully understand the nature of the problem and the potential effects of the legislative proposals put forward to date, particularly upon smaller depository institutions, we may find that future Congresses are still having to deal with this question.

Sources of the Problem

While I do not believe it necessary to dwell at great length about how checks are collected in this country, I think it desirable to review the mechanics of how they are collected in order to comment on the problem. The use of checks is universally accepted in our society as a means of making payments of all sorts in large part due to the efficiency of our payments mechanism. A customer accepts a check as payment and deposits the check into his or her account at a depository institution. The sooner the check is presented for payment, the sooner the collecting institution has use of the funds, which it then is able to pass back to its customer. Institutions may give immediate availability to known customers. Consequently, it is in the best interests of the institution to move that check as quickly as possible through the collection process in order to obtain "good funds." Before that happens, however, the check may pass through several hands--the institution of first deposit, a correspondent bank, one or more Federal Reserve Banks, the payor institution's correspondent bank, and finally, the payor bank.

Although cumbersome at times, our nation's check collection system works quite effectively. Almost 40 billion checks are collected annually, and 99 percent of them are collected in one or two business days. We estimate that the financial industry, including small and large banks, savings and loan associations and credit unions, spends approximately $2 billion in operating expenses every year to collect these checks. Over $1 billion of society's capital is tied up in equipment and other capital resources required to process and deliver checks to the payor institution.

The Federal Reserve accepts its responsibility to improve the payments system over time. We have introduced programs, such as "noon presentment," that have resulted in improved collection times and faster availability for billions of dollars worth of checks. While we will continue to introduce refinements into the system, I must advise you that given the existing legal and procedural requirements, it is unlikely that the speed with which checks are being collected can be dramatically improved in the short run. As long as the requirement for the physical presentation of checks continues, there will always be a justification for at least a short delay in availability.

Reasons for Delays

The basic reason that depository institutions delay availability beyond the one or two days it takes to clear the check is the concern that the institution will not be able to recover the funds from its depositor, often a new depositor or a very large deposit, in the event that the check is returned unpaid. We recognize that depository institutions point to the operational problems associated with the return check process as the basis for lengthy delays some of them impose. However, 99 percent of all checks are paid the first time through the collection process. Furthermore, over 60 percent of the checks that are returned are for amounts of less than $100. Finally, about half of the one percent of checks that are returned are paid when they are presented for payment the second time. It is important to recognize that all of these returns do not actually result in a loss since in most instances the institution is able to recover the funds from its depositor. This is why we and the other agencies have focused our March 22 joint policy statement on measures depository institutions can take to reduce delays in availability without increasing the likelihood that they will incur losses.

Our statement urges that institutions utilizing the practice of delayed availability should take steps to reduce further the delays they impose, consistent with prudent banking practices. This means that an institution should carefully consider the actual risk of loss that it faces should a check a customer deposited be returned unpaid. We believe that before, say a teller, imposes a delay in availability, he or she should take into account the length of time the depositor has been a customer, past experience with the depositor, whether the depositor has other deposit accounts or an overdraft line of credit that could be relied upon, the identity of the drawer and the type of check. Further, we advise that institutions should not impose delays on U.S. government checks beyond the time required to receive credit from their correspondent or from the Federal Reserve. At the same time, the statement reminds institutions to disclose their hold policies to customers when the account is opened and, when practical, frequently when a check is deposited if a hold is to be placed.

In any event if an institution imposes a delay in availability on a customer's deposit in an interest bearing account, we believe it appropriate for the institution to begin paying interest at least from the time it receives credit from its correspondent bank or from the Federal Reserve Bank. In fact, we understand that many institutions pay interest from the date of deposit.

We have had extensive discussions concerning these matters with the financial institution trade associations and have received their unqualified endorsement and support. We believe that this approach has considerable merit and is the best way to proceed at this time.

One Possible Solution

I believe that the most feasible way to eliminate the problem of delayed availability once and for all is to move toward electronic payments and reduce substantially the requirement of moving paper from place to place. We have made great strides in this country in introducing electronics into virtually every phase of our lives--from communications to home entertainment, but we still have not overcome the customer's need for physically moving pieces of paper from depository institution to depository institution until they reach the payor. If a check is not paid, it then follows the same path back to the institution of first deposit.

The customer in the "wholesale" side of banking has moved into the electronic funds transfers in a big way. It is estimated that in 1980 electronic transfers moved $117 trillion in payments, six times the $19 trillion moved by checks. Clearly the large balance transfer sector is on to something that consumers should be alert to. In fact, I believe there is strong evidence that consumers are making greater use of electronics in their financial affairs and I think it would be wrong to underestimate the receptivity of consumers to electronic improvements in banking. Automated teller machines are intensively used on a 24 hour basis. Indeed, many customers report that they prefer to use an automated teller at their convenience any time during the day or night rather than having to go to the bank during normal banking hours.

The rapid growth of automated clearing house payments is also an indication of the consumer's responsiveness to electronic funds transfers. Each month millions of Americans receive their Social Security and other U.S. government payments through direct deposit into their accounts. These payments are never subject to a delay in availability. Other efforts toward electronic delivery of checks seem very promising. The Federal Reserve and the banking industry have begun experiments with various ways of delivering checks electronically. While these procedures are in an early stage, we believe that such innovations have the long run potential of totally eliminating the need for delays in availability and for saving considerable amounts of society's resources devoted to check collection.

Consumers have been responsive to programs that eliminate the return of checks. In fact, Federal credit unions are required by regulation not to return share drafts to customers. By eliminating the need to return the paper check and through the increased usage of electronic collection, we can improve the efficiency of the payments system quite dramatically. Informed of the faster availability of funds and potentially lower fees due to cost savings, I believe that consumers will be willing to accept over time, indeed some will even demand, changes in the way in which checks are collected. We would be pleased to determine for the Congress if you so desire the feasibility, benefits, potential consequences, and operational aspects of greater uses of electronics to make payments and collect checks. In all of this, however, I think that its important to recognize that checks will most likely continue to be the principal method used by consumers for the foreseeable future. Therefore, efforts to continue to improve collection procedures and funds availability to depositors are certainly worthwhile.

The Dallas Return Item Pilot

We are also experimenting with programs to speed up the return of unpaid checks. Under the generally used return item procedure, a check that is dishonored for whatever reason by a payor bank retraces the collection steps that it followed. By law, the payor bank and each institution that receives it has until its midnight deadline to pass the check back to the institution from whom it was received. I need not dwell at great length on the process other than to indicate that it presently is highly labor intensive, as the return item process has not as yet benefitted from the advantages of automation. Further, many institutions merely place the dishonored items in the mail rather than using the courier services used to collect checks. All of these lead to a sometimes long and tedious procedure for the return of unpaid checks.

The Federal Reserve Bank of Dallas has been conducting a pilot program designed to speed up the return process. The ultimate objective is to reduce the potential risk of loss to depository institutions due to dishonored checks. One approach that we have been implementing is to return dishonored checks directly to the institution of first deposit rather than through each institution in the collection chain. Another approach which appears to have considerable merit is to ensure that the institution of first deposit promptly receives wire notice of a returned check. The Dallas Reserve Bank has approached this objective in stages. We have now gained considerable experience with returning unpaid checks directly to the institution of first deposit within the Dallas Reserve Bank's District and we are now preparing to move to the next stage of the pilot. Returning the dishonored check directly to the institution of first deposit has speeded up the return process by more than one day for those checks handled by the Dallas Reserve Bank.

During our next phase, Dallas intends to expand the process to include returned checks from payor banks regardless of whether or not the check originally cleared through the Reserve Bank. This will require additional operational adjustments at the Reserve Bank and at depository institutions.

State laws, however, may present a barrier to the nationwide implementation of direct returns. Several jurisdictions (the District of Columbia, Nebraska, Nevada, New Jersey, Oregon, and Wisconsin) have not adopted a provision in the Uniform Commercial Code that permits the direct return of dishonored checks. We have discussed with state officials the desirability of changing their state law to add the direct return option to their state codes. Until these laws are changed, or unless Congress authorizes the direct return of unpaid checks to the institution of first deposit, many of the benefits envisioned for programs such as the Dallas pilot could not be achieved nationwide because institutions would be uncertain as to whether the institution they send checks to will return the unpaid checks directly to them or through each institution in the collection chain.

Wire Notice of Returned Items

Another procedure that appears to have significant potential for further reducing the risk of return items is the expansion of the Federal Reserve's wire notice of return items service to speed up notification of dishonored checks to the institution of first deposit. Under our existing procedures, a depository institution is to provide a wire notice if it dishonors a check of $2500 or more. Unfortunately it is difficult to enforce this standard, particularly since the payor institution is required to incur the expense of providing the notice. Further, the provision does not apply to checks collected outside of the Federal Reserve.

Our Dallas pilot provides for the notification of nonpayment on all returns of $2500 or more by the Reserve Bank to the institution of first deposit. Of course not every institution in the Dallas District is linked to the Reserve Bank by a computer terminal. Consequently, in many instances, the notice of dishonor must be passed on by telephone, a cumbersome and costly process. We are making great strides in establishing additional automated communication linkages with small institutions. We anticipate that additional experience with the wire advice of nonpayment procedure will result in a low cost method for providing more timely information about returned checks to the institution of first deposit.

Based upon what we have learned to date, we believe that there are several possibilities for providing wire notices for all types of returns, including those of amounts below $2500. Wire advice, however, may not be cost effective for small denomination checks. Because small dollar checks do not seem to present the same risks that large dollar checks present, it may be easier to handle the question of these checks by extending the deadline for returns in order to provide additional time for drawers to cover these checks. This could be accomplished through legislation at the state or federal level. The expanded use of wire advice for large dollar checks in combination with an extended return deadline could serve to reduce almost all the risks of unpaid checks.

Standard Endorsements

There has been a considerable amount of attention devoted to the development of a standard form of endorsement for the financial industry. In 1981 the American National Standards Institute ("ANSI") developed a specification for check endorsements in conjunction with the financial industry and other providers of payments services and equipment. Our experience with trying to decipher first endorsements in Dallas indicates that considerable time and effort could be saved by the industry if it implemented this standard. However, formal legislation to require this standard may not be in the best interests of the financial system.

We are concerned that adoption of the ANSI standard may require extensive investment in new check processing equipment and make the current equipment obsolete. Given the already heavy investment in capital equipment of many financial institutions, we would expect that mandating the adoption of the ANSI standard would result in additional unnecessary expenses that would likely be passed along to depositors in the form of higher service charges. This is of particular concern to smaller institutions that may not have the resources to afford new, expensive equipment. A more reasonable approach, therefore, would be to provide some kind of incentives and encourage the gradual phase-in of the ANSI standard as old check processing equipment becomes obsolete and as new equipment is purchased. Mr. Chairman, the language contained in your bill, which would have the Board consider whether to require the ANSI standard, in my view is consistent with this approach.

Current Legislative Efforts

We believe that the efforts I have outlined above--the joint agency policy statement, continued improvements in the procedure for returning unpaid checks and further efforts toward electronic presentments--are moving the industry in the direction of reducing delays in availability. Let me emphasize that not all institutions impose delays in availability. A study performed for us in 1983 indicated that 89 percent of respondents who had checking, savings or money market accounts did not experience delays in funds availability and 64 percent of the respondents to our 1983 survey indicated that their banks do not delay availability. While legislative efforts may force some in the industry to reduce delays they now impose, a mandated availability schedule may exacerbate the problem by encouraging institutions that do not delay availability to impose delays. I believe that the New York and California experiences can provide us with a basis for making an informed judgment on this issue and I encourage you to review the results of these efforts at the state level before decisions are made on Federal legislation.

It is difficult to estimate what the appropriate availability periods should be. The New York Banking Board regulations establish a schedule ranging from one business day for checks drawn in a face amount of $100 or less to six business days for checks drawn on another institution located outside New York state. Is this the appropriate range? Should institutions be encouraged to reduce the outside range to less than six business days if possible, as they are urged to do by our policy statement? Should the proposed legislation be limited only to consumer accounts? After all, small businesses often experience delays in availability also. Given the potential risks and special factors associated with business accounts, should different standards apply? Should small depository institutions be treated differently, particularly if they use a correspondent bank for their collection services? Should the legislation apply to money market mutual funds and other intermediaries, many of which also delay availability? Should the legislation override conflicting or more restrictive state legislation? Who would make the determination as to whether state legislation is in conflict with any Federal laws? I believe that these and other fundamental questions raised by any legislation should be carefully addressed in order to ensure that the problem is addressed in a deliberate fashion.

Conclusion

Congress has charged the Federal Reserve with the responsibility for overseeing the continued smooth functioning of the payments mechanism. We are all working toward the common goal of improving the efficiency of the payments system and providing depositors with the lowest cost methods of making payments. We are now making considerable progress, in conjunction with the financial industry and the other federal supervisors, toward reducing the problems associated with delayed availability. We believe that the current efforts supported by the financial industry are well-suited to solving the problem of delayed availability.

Some legislative proposals under consideration would mandate operational improvements, such as wire advice of nonpayment, that are now being actively considered by the Federal Reserve and by the industry. As I have indicated, we have been considering several approaches towards improving collection times and the return items process through technological means and we may find it necessary to seek legislation in the future to facilitate these changes. We believe operational improvements such as those actively being considered are quite promising and will enable institutions to provide better availability of funds to depositors than through legislated schedules. This cooperative effort between the industry and the Federal Reserve will provide greater benefits to depositors and result in a more competitive and efficient payments mechanism.

ATTACHMENT

Joint News Release **Federal Financial Institutions Regulators**

For immediate release March 22, 1984

Federal regulators of commercial banks, savings banks and savings and loan associations today jointly called upon financial institutions to refrain from imposing unnecessary delays in making funds available to their depositors.

The Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Federal Reserve Board made the request in a joint policy statement. The policy statement was issued to encourage banks and savings and loans to voluntarily ameliorate the problem of "delayed availability of funds" which arises at institutions that delay the ability of customers to withdraw funds deposited by check. The agencies said the problem is arising at an increasing number of institutions.

The agencies' policy statement made several specific suggestions for addressing the problem, which has resulted in legislation in two states and proposed legislation in the U.S. Congress. These suggestions, as set forth in the attached policy statement, suggest a review of policies with the objective of reducing delays consistent with prudent business practices, disclosing funds availability policies to customers and refraining from imposing delays across the board, specifically delays on Social Security and other government checks deposited in established accounts.

The agencies said they hope the problem can be handled by voluntary action of financial institutions along the lines they suggest. But they said they will be monitoring the effectiveness of voluntary action and conducting consumer surveys. The agencies will consider further action if they find that the effort to solve the problem by voluntary means is inadequate.

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Attachment

SUPPLEMENTARY INFORMATION: (1) General. Delayed availability -- the practice by some financial institutions of delaying a customer's ability to withdraw funds deposited by check for several days after the date of deposit -- has been an issue of concern for several years.

Interest in limiting or restricting the delayed availability practice has increased recently both at the state and federal level. Two states, New York and California, have enacted laws addressing the issue and several other states are considering legislation. In addition, there are bills pending in both houses of Congress.

The agencies believe that the practice of delaying availability results in problems for depositors, especially when the policy is inflexible or is not disclosed to depositors in an effective manner. Institutions maintain that the practice of delaying a depositor's ability to withdraw funds beyond the time it takes the institution to receive provisional credit for the check is justified to some extent because of the time it takes for a check to be returned to the institution of first deposit if it is not paid by the paying institution. They state that the only way an institution learns that a deposited check is being returned unpaid is to receive the check back; thus, there is a risk of loss. However, only about one percent of all checks are returned unpaid and only a very small percentage of these checks result in actual losses to financial institutions. While it may be true that the frequency of losses is small because of delayed availability policies and that the potential for losses is much larger, the agencies nevertheless believe that the practice of imposing delays on all deposited checks without regard to whether a particular situation presents a potential risk (for example, the deposit of an unusually large personal check into a new account) does not appear to be justified by the risk of loss. More specifically, for example, there is normally no justification for delaying availability on a Social Security or other government check deposited into an established account beyond the date when an institution receives credit for the check. The real risk of loss in such cases results from fraud, which typically would not be discovered until long after the check has cleared.

The agencies believe that voluntary industry action, rather than mandatory requirements, represents a potential solution to many of the problems caused by delayed availability, without the costs and burdens of a legislative or regulatory approach. The agencies are, therefore, issuing a policy statement that outlines their concerns and recommending actions to be taken by the industry in the hope that it will encourage and assist voluntary industry action.

(2) Discussion of policy statement. The policy statement calls on financial institutions that delay availability to take several actions. Institutions are asked to review their policies, consider whether the delay periods can be reduced, and disclose their policies to customers in an effective manner. Institutions are also asked to refrain from imposing unnecessary delays on all checks, particularly delays on government checks deposited into established accounts beyond the time required for the institutions to receive credit for the checks. In reviewing their policies, institutions are asked to consider various factors that might indicate whether a risk of loss exists in a given situation that justifies a delay in availability and to provide depositors with a means for requesting that an exception be made from the standard hold policies.

The actions recommended are based on the agencies' belief that, although it is appropriate to delay availability in some specific situations, it is not necessary for financial institutions to delay availability on all deposited checks. By pointing out specific actions that institutions can take, the agencies hope that the policy statement will be a basis for industry action. As the statement indicates, the agencies plan to monitor developments in the area to determine whether further steps are needed.

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JOINT POLICY STATEMENT ON DELAYED AVAILABILITY OF FUNDS

The Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, and Federal Reserve Board are issuing this policy statement regarding the practice by financial institutions of delaying a depositor's ability to withdraw funds deposited by check -- often called "delayed availability of funds." The agencies are concerned about the problems this practice causes for depositors and believe that voluntary action on the part of all financial institutions to reduce these problems would be the most efficient, least costly, and least burdensome solution.

An increasing number of financial institutions delay a depositor's ability to withdraw funds in order to reduce their risk of loss if a deposited check is returned unpaid. However, financial institutions need not impose such delays on every deposited check in order to reduce the risk. In fact, some delayed availability policies may be inequitable. The agencies believe that there are actions that financial institutions can take now to eliminate some of the problems.

The agencies believe that financial institutions that delay availability should:

(1) Review their policies and consider reducing the delay periods to the extent possible, consistent with prudent business practices.

(2) Disclose their policies to depositors in an effective manner at the time an account is opened and, when practical, at the time a check is deposited that will be subject to a delay in availability. Institutions might also alert depositors to other ways of transferring funds that do not involve checks, such as through wire transfers or direct deposit through an automated clearing house.

(3) Refrain from imposing unnecessary delays on all checks, particularly delays on Social Security and other government checks deposited into established accounts beyond the time required to receive credit for the checks. (A delay beyond this time is generally inappropriate since the real risk is that of fraud, which ordinarily will not be discovered until long after the check has cleared.)

In reviewing their policies, institutions should take into account factors that indicate whether a given situation presents a risk of loss that justifies a delay in availability. These factors may include, for example, the length of time the account has been maintained, past experience with the depositor, the identity of the drawer, the type of check, and the location of the payor depository institution. In addition, institutions should consider providing, as part of their policy, a means for depositors to request that an exception be made from the standard delay practice and inform depositors of this possibility.

The agencies hope that the problems caused by delayed availability policies can be addressed by voluntary industry action, and urge trade groups and individual institutions to act. The agencies will be monitoring the effectiveness of these voluntary efforts to determine the extent to which disclosure is being made and the nature of specific delayed availability policies. Consumer surveys will also be conducted to determine the level of consumer awareness of delayed availability policies and the extent of consumer problems.

If it appears that voluntary action is inadequate to address the delayed availability issue, the agencies will consider further action to deal with the practice and the problems it causes.

Dated: March 22, 1984

By order of the Office of the Comptroller of the Currency.

John F. Downey
Chief National Bank Examiner

By order of the Federal Deposit Insurance Corporation.

Hoyle L. Robinson
Executive Secretary

By order of the Federal Home Loan Bank Board.

J. J. Finn
Secretary to the Board

By order of the Board of Governors of the Federal Reserve System.

William W. Wiles
Secretary of the Board

COMPTROLLER OF THE CURRENCY

FEDERAL DEPOSIT INSURANCE CORPORATION

FEDERAL HOME LOAN BANK BOARD

FEDERAL RESERVE SYSTEM

Delayed Availability of Funds;
Issuance of a Policy Statement

AGENCIES: Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, and Board of Governors of the Federal Reserve System.

ACTION: Issuance of a policy statement.

SUMMARY: The agencies are issuing this policy statement to encourage and assist industry efforts in voluntarily addressing the problems caused by some financial institutions when they delay a depositor's ability to withdraw funds deposited by check -- often called "delayed availability of funds." The policy statement calls for those financial institutions that delay availability to review and disclose their policies, and to refrain from imposing unnecessary delays on all checks, particularly on Social Security and other government checks. In reviewing their availability policies, institutions are asked to consider taking into account factors that indicate whether a given situation presents a risk of loss and to provide a means for depositors to request that an exception be made to the standard hold policy.

EFFECTIVE DATE: March 22, 1984.

FOR FURTHER INFORMATION CONTACT: William Grant, Office of the Comptroller of the Currency, (202) 447-1938; Paul Sachtleben, Federal Deposit Insurance Corporation, (202) 389-4761; Richard Tucker, Federal Home Loan Bank Board, (202) 377-6211; or Gerald Hurst, Board of Governors of the Federal Reserve System, (202) 452-3667.

TABLE 1

CHECK CLEARING AND RETURN TIMES

Check Drawn on	Number of Business Days after Deposit to Clear	Additional Days to Return	Total Days*	Established Percent of Checks Collected
1. Depositing institutions	0 to 1	N/A	0 to 1	30
2. Treasury	0 to 1	N/A**	0 to 1	2
3. Local clearing house members	1	1	2	16
4. Institutions within same State	1 to 2	1 to 2	2 to 4	***
5. Institution within same State clearing through correspondents	1 to 2	1 to 4	2 to 6	***
6. Out-of-State institutions	1 to 3	1 to 6	2 to 9	***

* Times indicated do not take into account errors such as misrouting or damaged checks that cannot be processed through automated procedures. Although such situations affect less than 5 percent of all checks collected, they can add up to 5 days onto collection and return times. An additional one to four days may be added if the returning institutions use the mail to return the check to the prior endorser.

** Treasury checks can be returned for up to 6 years due to forgeries, etc.

***Reliable data are not available to breakdown check clearing by intra and inter state. However, for checks handled by the Federal Reserve 60 percent are cleared within the same Federal Reserve Bank and 40 percent involves banks in two different zones.

Source: Federal Reserve System

TABLE 2

CHECK VOLUME

Number of checks written		36 billion
Number of checks handled by Fed		14.2 billion
Percent of checks returned		1 percent
Number of checks returned		360 million
Reasons for checks being returned:	Nonsufficient Funds	71.2 percent
	Uncollected Funds	2.7
	Account Closed	4.4
	Stop Payment	2.7
	Missing Endorsement	4.9
	Other	14.1 percent
Dollar Breakdown on Returned Checks		
	Less than $100	63 percent
	$100 to $1000	28 percent
	Over $1000	9 percent

Source: 1981 Bank Administration Institute Survey and the Federal Reserve System

TABLE 3

CHECK COLLECTION COSTS
1981 - 1982

Costs to Corporations	
Issuance	$0.20 - $0.44
Deposit and collection	up to $1.50
Costs to Banks	
Processing	$0.24 to $0.50
Returned checks (including losses)	$0.36
Costs to Federal Reserve	
Processing	$0.03
Returned checks	$0.14

Source: Federal Reserve System and Private Sector Studies