



FEDERAL RESERVE BANK  
OF DALLAS

WILLIAM H. WALLACE  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

March 31, 1989

DALLAS, TEXAS 75222

Circular 89-22

**TO:** The Chief Operations Officer of  
all financial institutions in the  
Eleventh Federal Reserve District

**SUBJECT**

**Fee and availability schedule for return check services**

**DETAILS**

Effective May 1, 1989, prices for Federal Reserve return check services will be revised to reflect returned check costs more accurately. The revisions are necessary due to declining recovery rates resulting from lower than anticipated returned check revenue and higher than expected costs associated with the poor quality of qualified check deposits.

Background

In May 1988, the Federal Reserve Board authorized Reserve Banks to provide new returned check services in order to expedite the return of unpaid checks, as required by Regulation CC, which implements the Expedited Funds Availability Act. The Board approved prices for these new services in June 1988 and, at the same time, reduced forward collection fees. The new fees and services became effective September 1, 1988.

The new Federal Reserve returned check services differ significantly from the return services provided by the Reserve Banks prior to the implementation of Regulation CC. Reserve Banks now accept and process any returned check, and return checks directly to the institution of first deposit. In contrast, prior to September 1, 1988, a Reserve Bank accepted and processed only those returned checks it collected, and returned each check to the institution that deposited the check with the Federal Reserve for forward collection. Reserve Banks also accelerated handling of returned checks by processing returns quicker to comply with Regulation CC.

The fees effective last September were based on estimates of the costs of providing these services and the revenue that would be received. After several months, it has become apparent that revisions need to be made to cover costs. The primary cause of higher than anticipated costs is the poor quality of incoming returned check deposits.

### Quality Improvement Initiatives

The Federal Reserve is actively addressing quality problems and is working directly with financial institutions to reduce operational costs and to improve the quality of returned check deposits. Several major initiatives are currently under way in the Federal Reserve System that are expected to improve return operations. These initiatives include improving carrier envelope document quality, reducing the number of misdirected qualified returned checks, improving endorsement quality and reducing the reject rate of qualified deposits.

Variations in the quality of carrier envelopes impede processing by jamming check sorting equipment or the envelopes cannot be properly endorsed or microfilmed. Guidelines are currently being developed to provide uniform characteristics needed for proper handling of carrier envelopes.

Financial institutions are also being advised to make sure the return item is encoded for the proper institution. Incorrect encoding causes return items to be misdirected and adds significantly to Reserve Bank and financial institution adjustment cases.

The most major cause of quality problems is the improper endorsement on the back of the check as set forth in Regulation CC. Unreadable endorsements cause the misrouting and delay of returned checks. Each Federal Reserve office has efforts under way to determine the major endorsement problems in its region and to work directly with institutions and equipment vendors to improve endorsement quality.

The poor quality of many qualified returned checks causes them to reject when processed on automated check equipment. Reserve Banks are making sure that all qualified return letters do not have a reject rate above a certain percent. If an institution's qualified items reject more than a certain percent, they will be processed at the higher raw, or nonautomated, return rate. Institutions depositing poor quality items are being counseled on specific problems so that they can take the necessary steps to improve the quality of their deposits.

### **ATTACHMENTS**

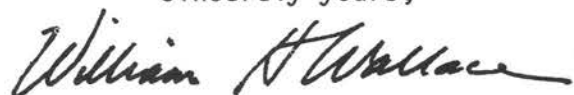
A copy of the fee and availability schedule for returned check services at the Federal Reserve Bank of Dallas and its Branch offices is attached.

### **MORE INFORMATION**

For additional information, please contact any of the following:

Dallas	Robert L. Whitman	(214) 698-4357
El Paso	Robert W. Schultz	(915) 544-4730
Houston	Luke E. Richards	(713) 652-1544
San Antonio	Herb Barbee	(512) 224-2141

Sincerely yours,



RETURN CHECK SERVICE AND FEE SCHEDULE  
LOCAL DEPOSITORS

OFFICE: DALLAS

Product	Sorting Requirements	Return Letter Fee	Per Item Fee (cents)	Availability	Deadline
<u>Raw Returns</u>					
(Unqualified)					
Mixed	None	\$1.25	Calculated <u>3/</u>	2 Day <u>2/</u>	8:00 p.m./ Sun - Th
Sorted	City	\$1.00	60.0	Immediate	12:01 a.m.
	RCPC	\$1.00	60.0	Immediate	12:01 a.m.
	Country	\$1.00	60.0	1 Day	12:01 a.m.
	Federal	\$1.25	75.0	Calculated	12:01 a.m.
<u>Qualified Returns</u>					
Mixed	None	\$1.25	Calculated/ <u>2/</u>		As Follows
			7.0 City/	1 Day at --	12:01 a.m.
			9.0 RCPC/	1 Day at --	9:00 a.m.
			13.0 Cntry/	2 Day at --	2:00 p.m.
			41.0 Fed	2 Day at --	7:00 p.m.
City Regular	1110/3110	\$1.00	6.0	Immediate	9:00 a.m.
Fine	Endpoint	\$2.50	0.7	Immediate	9:30 a.m.
RCPC Regular	1111/3111	\$1.00	8.0	Immediate	12:01 a.m.
	1119/3119				
Premium	" "	\$1.00	20.0	Immediate	1:15 a.m.
Fine	Endpoint	\$2.50	0.9	Immediate	4:00 a.m.
Country					
Regular	1113/3113	\$1.00	12.0	1 Day	8:00 p.m./ Sun - Th
Fine	Endpoint	\$2.50	0.9	1 Day	9:30 p.m./ Sun - Th
Federal	Nonlocal	\$1.25	40.0	Calculated	2:00 p.m.
	Nonlocal	\$1.25	40.0	Calculated	7:00 p.m.

Same Day Notification  
Service for a Large Return

	Each	
On-line wire notice	\$1.75	12:00 noon
Telephone call to Fed	\$4.25	9:00 a.m.
Physical check to Fed <u>4/</u>	\$5.25	9:00 a.m.

- 1/ Deadline times are Monday through Friday except where noted.  
2/ Contact the Return Check Division if you prefer calculated availability.  
3/ Mixed raw return per item fees are 60 cents local and 75 cents federal.  
4/ Special separate return letter required.

EFFECTIVE: 5/1/89

RETURN CHECK SERVICE AND FEE SCHEDULE  
LOCAL DEPOSITORS

OFFICE: EL PASO

Product	Sorting Requirements	Return Letter Fee	Per Item Fee (cents)	Availability	Deadline
<u>Raw Returns</u>					
(Unqualified)					
Mixed	None	\$1.25	Calculated <u>3</u> / 3/	2 Day <u>2</u> / 2/	8:00 p.m./ Sun - Th
Sorted	City	\$1.00	60.0	Immediate	12:01 a.m.
	RCPC	\$1.00	60.0	Immediate	12:01 a.m.
	Federal	\$1.25	75.0	Calculated	12:01 a.m.
<u>Qualified Returns</u>					
Mixed	None	\$1.25	Calculated/ <u>2</u> / 7.0 City/ 9.0 RCPC/ 41.0 Fed	<u>2</u> / 1 Day at -- 1 Day at -- 2 Day at --	As Follows 12:01 a.m. 9:15 a.m. 12:00 noon
City Regular	1120/3120	\$1.00	6.0	Immediate	9:15 a.m.
	Fine Endpoint	\$2.50	0.7	Immediate	10:15 a.m.
RCPC Regular	1122/3122	\$1.00	8.0	Immediate	12:01 a.m.
	1123/3123				
	1163/3163				
Premium	" "	\$1.00	20.0	Immediate	12:30 a.m.
	Fine Endpoint	\$2.50	0.9	Immediate	2:30 a.m.
Federal	Nonlocal	\$1.25	40.0	Calculated	12:00 noon
<u>Same Day Notification Service for a Large Return</u>		Each			
On-line wire notice		\$1.75			12:00 noon
Telephone call to Fed		\$4.25			9:00 a.m.
Physical check to Fed <u>4</u> /		\$5.25			9:00 a.m.

- 1/ Deadline times are Monday through Friday except where noted.  
2/ Contact the Return Check Division if you prefer calculated availability.  
3/ Mixed raw return per item fees are 60 cents local and 75 cents federal.  
4/ Special separate return letter required.

EFFECTIVE: 5/1/89

RETURN CHECK SERVICE AND FEE SCHEDULE  
LOCAL DEPOSITORS

OFFICE: HOUSTON

Product	Sorting Requirements	Return Letter Fee	Per Item Fee (cents)	Availability	Deadline
<u>Raw Returns</u>					
(Unqualified)					
Mixed	None	\$1.25	Calculated <u>3/</u>	2 Day <u>2/</u>	8:00 p.m./ Sun - Th
Sorted	City	\$1.00	60.0	Immediate	12:01 a.m.
	RCPC	\$1.00	60.0	Immediate	12:01 a.m.
	Federal	\$1.25	75.0	Calculated	12:01 a.m.
<u>Qualified Returns</u>					
Mixed	None	\$1.25	Calculated/ 7.0 City/ 9.0 RCPC/ 41.0 Fed	<u>2/</u> 1 Day at -- 1 Day at -- 2 Day at -- 2 Day at --	As Follows 12:01 a.m. 9:00 a.m. 12:00 noon 8:00 p.m.
City Regular	1130/3130	\$1.00	6.0	Immediate	9:00 a.m.
Fine	Endpoint	\$1.00	0.4	Immediate	11:00 a.m.
RCPC Regular	1131/3131	\$1.00	8.0	Immediate	12:01 a.m.
Premium	" "	\$1.00	20.0	Immediate	1:15 a.m.
Fine	Endpoint	\$2.50	0.9	Immediate	4:00 a.m.
Federal	Nonlocal	\$1:25	40.0	Calculated	12:00 noon
	Nonlocal	\$1:25	40.0	Calculated	8:00 p.m.
<u>Same Day Notification</u>		Each			
<u>Service for a Large Return</u>					
On-line wire notice		\$1.75	12:00 noon		
Telephone call to Fed		\$4.25	9:00 a.m.		
Physical check to Fed <u>4/</u>		\$5.25	9:00 a.m.		

- 1/ Deadline times are Monday through Friday except where noted.  
2/ Contact the Return Check Division if you prefer calculated availability.  
3/ Mixed raw return per item fees are 60 cents local and 75 cents federal.  
4/ Special separate return letter required.

EFFECTIVE: 5/1/89

RETURN CHECK SERVICE AND FEE SCHEDULE  
LOCAL DEPOSITORS

OFFICE: SAN ANTONIO

Product	Sorting Requirements	Return Letter Fee	Per Item Fee (cents)	Availability	Deadline
<u>Raw Returns</u>					
(Unqualified)					
Mixed	None	\$1.25	Calculated <u>3/</u>	2 Day <u>2/</u>	8:00 p.m./ Sun - Th
Sorted	City	\$1.00	60.0	Immediate	2:00 a.m.
	RCPC	\$1.00	60.0	Immediate	2:00 a.m.
	Federal	\$1.25	75.0	Calculated	2:00 a.m.
<u>Qualified Returns</u>					
Mixed	None	\$1.25	Calculated/ 7.0 City/ 9.0 RCPC/ 41.0 Fed	<u>2/</u> 1 Day -- 1 Day -- 2 Day -- 2 Day --	As Follows 12:01 a.m. 9:30 a.m. 12:00 noon 7:30 p.m.
City Regular	1140/3140	\$1.00	6.0	Immediate	9:30 a.m.
Fine	Endpoint	\$2.50	0.7	Immediate	10:30 a.m.
RCPC Regular	1149/3149	\$1.00	8.0	Immediate	2:00 a.m.
Fine	Endpoint	\$2.50	0.9	Immediate	4:00 a.m.
Federal	Nonlocal	\$1:25	40.0	Calculated	12:00 noon
	Nonlocal	\$1:25	40.0	Calculated	7:30 p.m.
<u>Same Day Notification Service for a Large Return</u>		Each			
On-line wire notice		\$1.75			12:00 noon
Telephone call to Fed		\$4.25			9:00 a.m.
Physical check to Fed <u>4/</u>		\$5.25			9:00 a.m.

1/ Deadline times are Monday through Friday except where noted.

2/ Contact the Return Check Division if you prefer calculated availability.

3/ Mixed raw return per item fees are 60 cents local and 75 cents federal.

4/ Special separate return letter required.

EFFECTIVE: 5/1/89