

Federal Reserve Bank of Dallas February 1983

Dallas to Test Return Item Service

The Federal Reserve Bank of Dallas has been chosen to test a new return item service in the Eleventh District before consideration is given to implementation of such a service at all Federal Reserve Banks. The service is designed to allow the Dallas Fed to process all return items regardless of whether they were originally entered for collection through the Federal Reserve System and deliver them to the financial institution of first deposit. The pilot program will be implemented in three phases.

During phase one of the return item pilot program, which will go into effect February 24, Eleventh District offices will accept only those returns which were originally presented for collection

through Federal Reserve Banks and will return them to the immediately prior endorsing institution through the normal collection process. Telephone notification of nonpayment on all returns of \$2500 and over will be provided, and the payor institution will be charged a fee of 50 cents per item for each return item deposited. Other checks prices will be reduced accordingly because of the separate pricing of returns (see inside article).

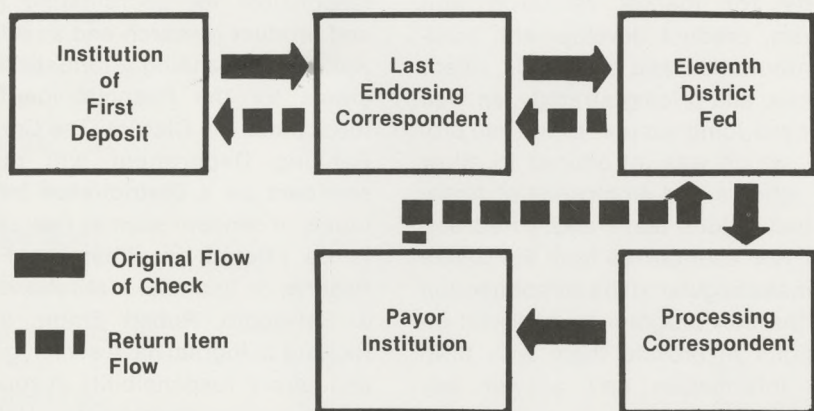
During phase two of the program, to be implemented at a later date, return items will be returned to the institution of first deposit if that institution is located within the Eleventh District. If not, the items will be returned to the Reserve Bank of last endorsement.

Also during the second phase, the Dallas Fed will introduce a price break of 25 cents per item for returns deposited that are fine sorted to the institution of first deposit or that are prepared for automated processing.

The Dallas Fed and its branches will accept all return items for processing during phase three of the pilot program even if they were originally presented for collection outside the Federal Reserve System. In addition, return items will be returned to the Reserve office of the institution of first deposit if that institution is located outside the Eleventh District.

The return item service will allow financial institutions several benefits such as a reduced sorting burden for returns, immediate credit for returns deposited with the Fed, expedited collection of return items, reduced risk of loss because of notification of all large return items, and reduced costs for other check processing services. The Dallas Fed is conducting a series of seminars around the District during February for institutions wishing to know more about this new service.

Return Item Pilot Program Phase One



INSIDE

- Cash Ordering
- Check Collection
- Economic Outlook

Electronic Cash Ordering Implemented

Currency and coin ordering through the Federal Reserve Bank of Dallas RESPONSE communications network was implemented February 1. For financial institutions on-line with the Fed's computer through RESPONSE, this new application can replace the need for initiating such orders over the telephone.

The RESPONSE network provides fast and efficient access to such Fed services as receiving reserve statement information, transferring securities, sending and receiving funds transfers, and receiving ceiling rate information for money market CDs, in addition to the new currency and coin ordering option. The network, which was introduced in the spring of 1982, has been successful in increasing on-line participation. At the end of 1982, 226 financial institutions were on-line with the Dallas Fed through one of three available options.



Ordering cash is made easier through the RESPONSE network.

For additional information about the new currency and coin ordering service offered by the Dallas Fed, please contact Mr. Charles Worley at (214)

698-4275, and for information regarding the RESPONSE network itself, please contact Mr. Vance Smith at (214) 651-4322.

Penalties Lifted On Deposits

Penalties associated with the early withdrawal of time deposits were recently suspended for parts of Louisiana by the Federal Reserve Board of Governors. This action was taken in response to the severe flooding that hit Catahoula, Grant, LaSalle, Winn, Natchitoches, and Ouachita Parishes. The Board's action permits a member bank, wherever located, to pay a time deposit before maturity without imposing the penalty established by Regulation Q. The depositor must provide a signed statement describing the loss.

The suspension has been made retroactive to deposits withdrawn on or after January 11, 1983, and will remain in effect until midnight July 11, 1983.

New Dallas Fed Department To Offer Responsive Service

In January, the Federal Reserve Bank of Dallas created a Corporate Banking Department designed to provide a liaison between the financial institutions in the Eleventh District and the services and resources of the Bank. The new department has responsibility for market research and analysis, product development, product information and promotion, client services, and pricing strategy, as well as for providing support to the call program, which was introduced to allow both officers and employees of financial institutions learn about Fed services. Representatives from the Dallas Fed make regular visits in connection with the call program to financial institutions to provide them with first-hand information and answer any questions.

To insure continued instructive and informational support, the Corporate

Banking Department was created as the central contact point for financial institutions seeking guidance on old and new services and prices.

The implementation of priced services, which began in 1981, created a need for a centralized department responsible for coordinating market and product research and analysis, as well as for planning informational programs for the financial institutions throughout the District. The Corporate Banking Department will conduct seminars on a District-wide basis on topics of concern such as new services to be offered by either the Federal Reserve or financial institutions. Tony J. Salvaggio, Robert Smith, III, and Richard D. Ingram have senior, general, and direct responsibility respectively for the new department. Helen E. Holcomb will serve as department director.

Major Check Service Changes Announced

The Federal Reserve Bank of Dallas has announced later deposit deadlines, improved availabilities, and new prices to correspond with major changes in Federal Reserve check collection services scheduled to take effect at all Federal Reserve Banks February 24. The major purpose of these changes is to speed up the collection of checks and to, in general, make the nation's payments mechanism more efficient. At least \$3 billion of checks handled by the Fed will be cleared one day earlier than before as a result of the checks service changes.

As one of the major elements of the announced changes, all Federal Reserve Banks will have checks available for presentment or dispatch to city paying institutions no later than 12:00 noon local time. The transition to 12:00 noon presentment will be accomplished in two steps. First, on February 24, presentment will be

moved to 11:00 a.m. Then, on May 2, presentment will be moved to 12:00 noon. This later presentment program will also apply to RCPC and country paying institutions that receive a substantial dollar value of checks.

The Federal Reserve's Interdistrict Transportation Network, the system the Fed uses to transport checks between Federal Reserve offices around the country, has also undergone a major reorganization. The network has been completely re-figured to affect the timing of and dispatch to Fed offices and the availability that can be offered on certain interterritory checks. Each Federal Reserve Bank's resulting later deposit deadlines will be made available to all depositors, those within the district and those which choose to send items directly to other Fed offices or use the Federal Reserve's network to send items to other offices in a consolidated shipment.

In general, the Dallas Fed's new deposit schedule allows institutions later deposit times and earlier availabilities. All of the deposit options which were previously available were retained, and several new options were added. These include a new 7:00 p.m. deposit option for mixed cash letters at the Dallas and San Antonio offices and a 1:15 a.m. deposit arrangement for RCPC items at the Dallas, Houston, and San Antonio offices.

New prices for check processing services at the Federal Reserve Bank of Dallas will take effect February 24. Implementation of the return item pilot program in the Eleventh District has allowed the Dallas Fed to lower prices on some check deposit options since return item costs were unbundled and the items were priced separately (see front page article). The pilot program also allowed limited increases on other check deposit options. Depositing institutions in the Eleventh District will be charged lower prices than those institutions depositing from outside the District because of the return item pilot.

Among the check service prices which were lowered from previous prices are city items, which were reduced from 1.74 cents to 1.6 cents per item. RCPC items were reduced from 2.22 to two cents per item, and package sort items were reduced from .99 cents to .9 cents per item.

Prices for Eleventh District institutions are lower than prices charged institutions outside the District for city items, 1.6 cents per item vs. 1.8 cents per item, and for regular RCPC items, two cents per item vs. 2.2 cents per item. A new premium RCPC option which allows a later deposit time of 1:15 a.m. is priced at three cents per item for Eleventh District institutions and 3.3 cents per item for others. Country items are 2.4 cents per item for Eleventh District institutions, as opposed to 2.7 cents for others; group sort items are 1.9 cents per item, as opposed to 2.1 cents; and package sort items are .9 cents per item, as opposed to one cent.

New Check Prices
(effective February 24, 1983)

Type of item	Old price (cents per item)	New price (cents per item)	
		Intradistrict	Interdistrict
Mixed	2.40	3.6	—
City	1.74	1.6	1.8
RCPC			
Regular	2.22	2.0	2.2
Premium	—	3.0	3.3
Country	2.22	2.4	2.7
Other Fed	4.64	5.0	—
Group Sort	1.64	1.9	2.1
Package Sort99	.9	1.0
Nonmachineable			
Local	10.00	15.0	15.0
Other Fed	17.20	20.0	—

Boykin Sees Recovery Possibilities for 1983

The current state of the economy and the possibility of economic recovery in 1983 were topics discussed in a recent speech by Dallas Fed President Robert H. Boykin. Entitled "A Personal Perspective on the Economy," the speech was delivered to the 51st Assembly of Bank Directors in Boca Raton, Florida. Boykin addressed four areas of concern important to the current economic situation.

In regard to the domestic economy, Boykin noted that, while there appears to be an economic upturn, several factors have contributed to the delayed recovery. Those factors include uncertainty in the business environment, the failure of interest rates to fall as steadily as the inflation rate, and the concurrent recession experienced in international economies. Even with these problems, at the end of 1982 several economic indicators were showing signs of improvement and, as

a result, Boykin stated, "I am cautiously optimistic . . . that we are seeing the beginnings of positive and sustained growth that will start materializing in this quarter."

Problems faced in international economics could start to diminish as major industrial nations begin to witness modest recoveries. These recoveries abroad "combined with a reduction in the value of the dollar should be elements of strength in our export sector," Boykin said. Fear of a worldwide collapse in the international financial system as a result of defaults on loans to developing countries should diminish as a result of recent efforts to help those countries continue to restructure their debts. According to Boykin, "It is important for us to remember that there are great differences among those developing countries. The difficulties experienced by a few should not call into question

the creditworthiness of all others."

In the area of monetary policy, Boykin sees an increased recovery apparent by the increased slowing of inflation, continuing efforts to decrease unemployment, and maintenance of a competitive balance of trade position. Monetary policy efforts designed to lessen inflation have been successful in producing a firm foundation for sustainable economic recovery.

The area that will experience the most difficulty in 1983 is fiscal policy. Growing budget deficits "divert money from private investment," Boykin said. Even as the other three areas see signs of economic recovery, Boykin feels that the deficit problem is a major reason interest rates have stayed as high as they have and the economy has remained weak. "I do not see large and growing budget deficits . . . as being a stimulant to economic activity," he said.

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