

**OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“IMPLEMENTATION OF THE CHECK CLEARING FOR THE 21ST CENTURY
ACT (CHECK 21)”
APRIL 20, 2005**

Chairman Bachus and Ranking Member Sanders,

I want to express my sincere appreciation for you holding this hearing today. As an original co-sponsor of the legislation that established the Check Clearing for the 21st Century Act, also known as “Check 21,” I welcome this hearing and all of the witnesses that will testify today.

I intend to monitor the implementation of “Check 21” closely to ensure that the Federal Reserve and all the banks it oversees adhere to all the requirements of the Expedited Funds Availability Act (EFAA). As most of you are aware, the EFAA sets the maximum permissible time banks may hold checks deposited at their institution before crediting them to a customer’s account. The timeframe in which they may hold the check(s) varies according to the risk and origin of the deposited check.

I understand that legislation has been introduced to reduce the amount of time banks may hold checks, but I am not willing to support such a tactic at this time. I believe that we here in Congress need to allow the Federal Reserve additional time to monitor whether changes to the funds availability policies set out in Regulation CC may be warranted. I was pleased to learn in Federal Reserve Board Director Roseman’s testimony that the Fed will be studying the effects of “Check 21’s” adoption on the banking industry next year.

According to Director Roseman’s testimony, the Federal Reserve “will study how this law [Check 21] is affecting the check-collection system and the appropriateness of the current maximum permissible hold periods.” However, I believe that they may need to report their findings to us sooner, and act sooner, than April 2007 if they find significant reductions in the times needed to collect and return checks.

We need to ensure that the law is implemented in such a way that it takes into consideration the best interest of our constituents as well as our financial services community. I believe that we can arrive at a nexus between the two that reduces the cost to both consumers and financial institutions that streamline their activities using “Check 21.”

I hope that today’s witnesses and this hearing will provide me with some answers for these constituents.

Having said that, Chairman Bachus, I yield back the remainder of my time.