

Understanding Foreign Check Collection

Some credit unions are faced with the dilemma of deciding if and/or how to collect on foreign checks presented by members for deposit. Checks drawn on financial institutions outside the United States are more difficult to process and present more risks of non-payment. However, credit unions usually attempt to help their members collect on these types of checks as an important member service. Knowing how to safely and efficiently process foreign checks is the key.

Keep in mind that credit unions are not required by any law or regulation to accept any type of check for deposit. Given the costs, time, and risks involved in processing foreign check deposits, you may make a policy decision to not accept these types of checks. If you decide to accept foreign checks, we recommend that credit unions consider using longer deposit hold periods, or delaying account crediting until payment is final as methods to mitigate some of the risks. The amount of the check and the members' account balances are two factors that should be considered before taking these actions to delay deposit availability.

Most foreign checks received by credit unions are drawn on banks in Canada. Thankfully, these are the easiest foreign checks to collect. You can include Canadian checks along with your other regular domestic check deposits, and full credit will be posted as normal. If the check is payable in Canadian dollars, a foreign exchange adjustment will be made to your account within a few days. However, as with any foreign check, returned items can take several weeks or months. Normal check return timeframes and regulations do not apply to foreign checks.

Canadian checks are fairly easy to handle. Other foreign checks will be more difficult to process. ANY foreign check poses more risk!

Checks drawn on banks in other countries can be processed either as a cash letter item or a collection item. Generally, cash letter items are given provisional credit to your account within a few days, but these items can be returned for non-payment or other reasons....sometimes several weeks or months later. In order to ensure that checks are not returned for non-payment reasons, you can send many items for collection. However, the fees involved and collection times are longer than cash letter items, and collection items can still be returned for other reasons (fraud or counterfeit) after payment has been made.

Foreign checks cannot be collected as substitute checks or just images, so they must be presented as paper items. Branch capture won't work for these checks!

As you can see, collecting foreign checks does have some challenges. Make sure your staff knows how to handle these checks, and take appropriate measures to handle the risks of non-payment and returns. For more details on foreign check collection and SunCorp's procedures for handling these items, contact the Item Processing Department.