

## International Services Item Processing: Cash Letter vs. Collection

Do you know when to send an international item as a cash letter versus on collection? Increase your straight-through processing and reduce your risk by sending your items in the most appropriate manner.

### *Collection Item*

- **Less risk** to institution
- Payment is **final**
- A check or draft denominated in a currency other than the currency of the foreign institution on which it's drawn (*e.g.*, item drawn in U.S. dollars on a financial institution in England)
- Valued **at or greater than \$200** U.S. dollars
- **Provisional credit is not given** (money will not be distributed to the member until the check/draft has cleared and the money has been received at U.S. Central)
- Payment typically takes 6-8 weeks (8-12 weeks if drawn on an institution in a country deemed 'exotic' or with a less developed payments system)
- Collection items include any of the following:
  - Photo copies of checks/drafts rather than original
  - Item usually processed as cash letter but final payment is required (items must be greater than \$200 U.S. dollars)
  - Checks/drafts processed for new members or members with questionable credit history
  - Checks/drafts denominated in an uncommon currency
  - Checks/drafts drawn on an institution in a country deemed 'exotic' or with a less developed payments system

### *Cash Letter Item*

- **More risk** to institution
- Payment is **not final**
- Must meet at least one of the following criteria:
  - Check or draft denominated in the currency of the financial institution on which it is drawn (*e.g.*, item drawn in Great British pounds on a financial institution in England)
  - Check or draft denominated in U.S. dollars on a Canadian financial institution
  - Foreign currency (cash)
  - Foreign postal money orders
- **Provisional credit is given** (next-day credit is given before funds are received from the paying institution)
  - If the item is returned, U.S. Central will debit the corporate account; if the natural person member does not have the funds available to cover the return, the credit union will experience a loss
  - Foreign item returns can be much longer than domestic returns, especially concerning fraud; **there are no commensurate regulations pertaining to international items - these can take months to process and be returned with little or no recourse for the credit union**
- To reduce risk, do not send the following items as cash letter items (process as collection items):
  - High dollar value items
  - Items greater than \$200 U.S. dollars in value from members that do not have a long-standing relationship with the credit union
  - Checks/drafts greater than \$200 U.S. dollars in value drawn on an institution in a country deemed 'exotic' or with a less developed payments system

### Shipping Information

#### **Express Mail, DHL, FedEx or registered mail:**

U.S. Central  
Attn: Payment Operations  
9701 Renner Blvd., Ste. 100  
Lenexa, KS 66219

#### **Certified or regular mail:**

U.S. Central  
Attn: Payment Operations  
P.O. Box 413845  
Kansas City, MO 64141