

Table 8

Selected Check Fees				
Items:	CURRENT FEE RANGES		2004 FEE RANGES	
	(PER ITEM)		(PER ITEM)	
Forward-processed				
City	\$0.005 to 0.080		\$0.005 to 0.078	
RCPC	\$0.003 to 0.340		\$0.005 to 0.340	
Forward fine-sort				
City	\$0.005 to 0.021		\$0.005 to 0.018	
RCPC	\$0.005 to 0.036		\$0.005 to 0.036	
Qualified returned checks				
City	\$0.08 to 0.80		\$0.08 to 0.80	
RCPC	\$0.10 to 1.10		\$0.10 to 1.15	
Raw returned checks				
City	\$1.50 to 5.00		\$1.60 to 5.00	
RCPC	\$1.30 to 5.00		\$1.30 to 5.00	
Consolidated shipment ^a	\$0.004 to \$0.036		\$0.004 to \$0.036	
Cash letters:	(PER CASH LETTER)		(PER CASH LETTER)	
Forward-processed ^b	\$2.00 to 37.00		\$1.50 to 37.00	
Forward fine-sort	\$6.00 to 14.00		\$5.50 to 15.00	
Returned checks: raw/qualified	\$2.00 to 16.00		\$2.00 to 17.00	
Payor bank services:	(FIXED)	(PER ITEM)	(FIXED)	(PER ITEM)
MICR information	\$5-15	\$0.0030-0.0150	\$5-15	\$0.0030-0.0150
Electronic presentment	\$2-15	\$0.0005-0.0110	\$5-15	\$0.0017 -0.0110
Truncation	\$2-7	\$0.0020-0.0180	\$5-8	\$0.0020-0.0180
Image capture	\$2-15	\$0.0020-0.0150	\$2-8	\$0.0020-0.0150
Image delivery	Varies ^c	\$0.0020-0.0080	Varies ^c	\$0.0020-0.0070
Image archive	n.a.	\$0.0007-0.0060	n.a.	\$0.0007-0.0070
Image retrieval	n.a.	\$0.30-5.00	n.a.	\$0.30-5.00

n.a. – Not applicable

^a Per-item fees for consolidated shipments include a half mill surcharge due to higher fuel costs. Consolidated shipments are shipments of checks on Check Relay by depository institutions directly to the paying bank's Reserve Bank office.

^b Cash letter fees for forward-processed items transported by the Reserve Banks include a fifty-cent surcharge due to higher fuel costs.

^c Fixed fee varies by media type.

4. *2004 Cost Recovery*—For 2004, the Reserve Banks project that the check service will recover 91.9 percent of total costs, including imputed expenses, and targeted ROE. The Reserve Banks expect to recover all direct and indirect operating costs and all imputed costs of providing check services, but only a portion of the targeted return on equity.

Total adjusted costs before taxes are projected to decrease approximately \$87.1 million, or 9.1 percent, from estimated 2003 expenses. The largest factor contributing to the decline is local operating costs, which are expected to decrease by \$64.9 million, or 11.4 percent. This decline reflects significant reductions in personnel costs and

partial year savings associated with discontinuing the processing of checks at thirteen Federal Reserve offices. Additional reductions include lower check modernization expenses and the consolidation of some local administrative functions into national support centers.

Total check revenue is projected to increase \$31.6 million, or 4.2 percent, compared with the 2003 estimate. The revenue growth is driven largely by a \$44.6 million increase in NICB. This increase associated with the change in methodology to calculate imputed investment income and payments of earnings credits to depository institution holders of clearing balances.

Partially offsetting this increase is a projected \$15.2 million, or 2.1 percent, decline in service revenue. This decline is largely attributable to a projected acceleration of the downward trend in the Reserve Banks' check volumes. The price changes will partially offset the effect of volume losses on check revenue.

In 2004, forward-processed check volume is projected to be 12.8 billion, a decrease of 8.9 percent compared with the 2003 estimate. The overall decline of paper check volume in the United States is the predominant factor for the loss of forward volume; however, the Reserve Banks also are projecting volume losses resulting from check restructuring