means other than a majority ownership interest. Such entities may be the subject of future designation or enforcement action by OFAC. Furthermore, a U.S. person may not procure goods, services or technology from, engage in transactions with, a blocked person directly or indirectly (including through a third-party intermediary).

As OFAC issues regulations implementing new sanctions programs, it plans to incorporate the guidance into those regulations. In addition, OFAC expects to amend existing sanctions programs to incorporate the guidance into the regulations implementing those programs. The guidance may be found at: www.treas.gov/offices/enforcement/ofac/programs/common/licensing_guidance.pdf.

◆ WBA reminds institutions that Regulation B issues may arise when a spouse provides a continuing guaranty for the other spouse's loan. As we first outlined in the April, 2000 issue of *WBA Compliance Journal,* Regulation B section 202.7(d) provides that a creditor cannot require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument *if* the applicant qualifies under the creditor's standards of creditworthiness for the amount and terms of the credit requested. Additionally, when an applicant requests individual credit but does not alone meet the creditor's standards, the creditor may require a cosigner, guarantor, endorser, or similar parties—but cannot require that it be the spouse of the loan applicant. Therefore, a guaranty provided by the non-applicant spouse must be absolutely voluntary.

Not only must a creditor be very careful to not require a guaranty from the non-applicant spouse, it must likewise be equally careful about the type of guaranty voluntarily provided by the non-applicant spouse. In particular, a continuing guaranty from the non-applicant spouse may violate Regulation B. Here's why.

When a creditor uses a continuing guaranty, such as the WBA 151 Continuing Guaranty, the guaranty obligates the guarantor for *all* credit extended to the named borrower. The guaranty obligates the guarantor not only to the specific debt that is currently being extended, but *also* any existing and future credit obligations of the borrower. The problem in using a continuing guaranty arises because the creditor has not determined that its underwriting standards were not met by the borrower spouse for past and future debts. (Remember, the Regulation prohibits the creditor from requiring the non-applicant spouse's signature on any credit instrument, including a guaranty, if the applicant qualifies under the creditor's standards for creditworthiness for the amount and the terms of credit requested.)

To avoid this problem, WBA renews its previous recommendation that a creditor use the Guaranty of Specific Transaction (WBA 152) whenever taking a guaranty from one spouse for the other spouse's debts. This form of Guaranty relates only to a specific obligation which is identified in the form. If a creditor has previously obtained Continuing Guaranties from the non-applicant spouse for the debts of the borrower spouse, the creditor may need to consider whether it should release the guaranty as to obligations other than the specific obligation for which the Guaranty was originally taken.

As an alternative, WBA suggests that creditors could take a new Guaranty of Specific Transaction, which would amend the prior Continuing Guaranty in full. The Guaranty of Specific Transaction should include the following statement as an additional provision.

"Additional Consideration/Amendment. In consideration of Lender's agreement to amend the Continuing Guaranty given by the undersigned to Lender, dated _____, which names the Debtor herein as the Debtor (the "Prior Guaranty"), to terms more beneficial to the undersigned, this Guaranty is given by the undersigned, and the terms and conditions of this Guaranty amend in their entirety the terms and conditions of the Prior Guaranty."

◆ FRB announced on 02/25/2008, its new pricing policy for carrier documents. FRB stated that as more forward collection and return items are deposited in image cash letters, the continuing use of carrier documents impacts the progress toward an all-electronic check collection system. Thus, effective **08/01/2008**, the Federal Reserve Banks will modify the pricing on forward collection and return items in carrier documents as follows:

- Any qualified return item cash letter containing carrier documents will be reclassified as unqualified (raw) returns, with associated pricing and availability;
- Forward collection machineable cash letters containing carrier documents will be charged an additional $0.02 per item on each item in the cash letter. This fee is in addition to the published fees; and
- The fee for items in carrier documents contained in machineable cash letters that fail IQA will be increased from $4.00 per item to $10.00 per item.

In addition to the new pricing policy, institutions should be aware that Operating Circular 3 imposes the risk of loss on an institution that sends a carrier item to a Federal Reserve Bank in a mixed cash letter. The Operating Circular 3 requires that items in carriers be sent to the Federal Reserve Banks in cash letters that are separate from mixed cash letters intended for machine processing. An institution that includes a carrier item in a mixed cash letter indemnifies the Federal Reserve Banks against any resulting loss.

Carrier documents should continue to be used for photos-in-lieu and items with attachments. These items should be deposited in a non-machineable cash letter (for forward collection) or an unqualified (raw) return cash letter. To promote greater interoperability, FRB recommends that all depositing and returning banks modify operating practices to use strips rather than carrier documents. The announcement may be found at: www.frbservices.org/files/communications/pdf/check/022508_pricing_policy.pdf.