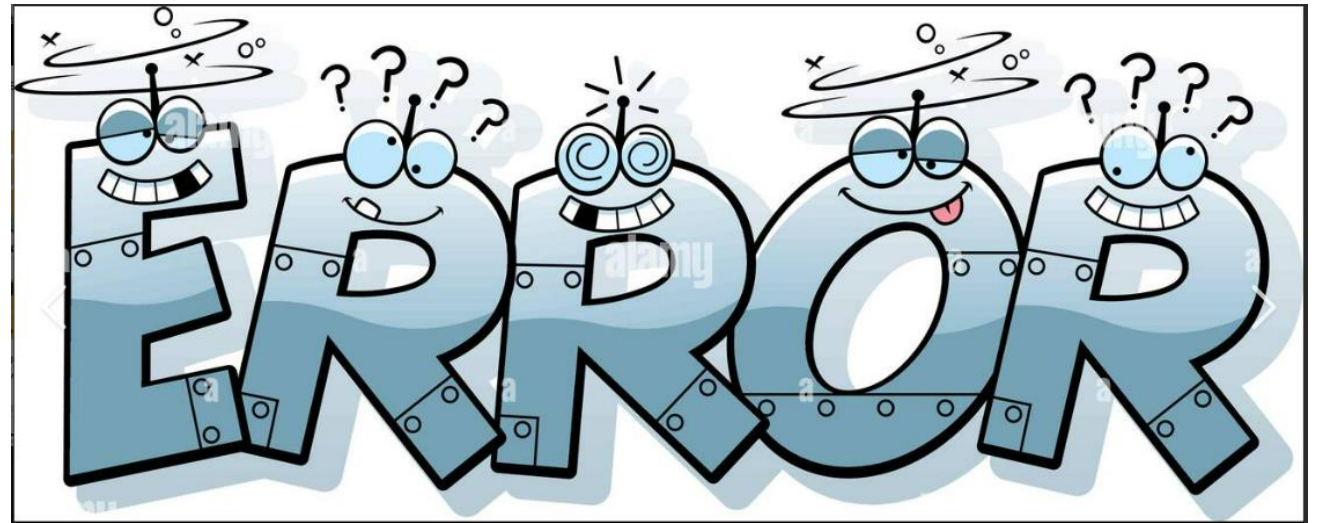


Resolving Errors with Regulation E

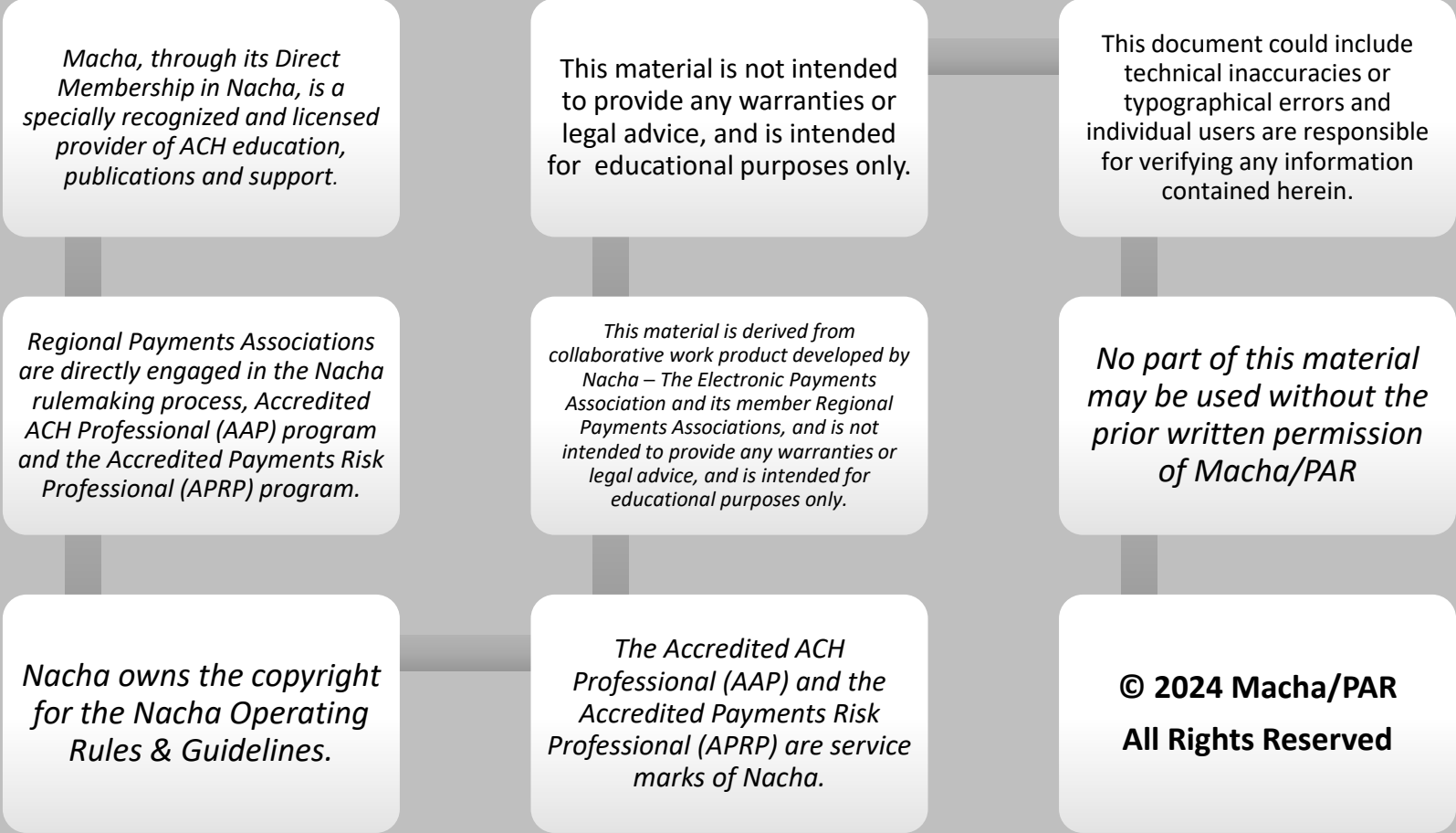
Kari Kronberg, AAP, APRP, NCP

Director of Education

kkronberg@macha.org



Disclaimer





Agenda

- Purpose & Authority
- Important Definitions
- Error Resolution (§1005.11)
- Consumer Liability for Unauthorized Transfers (§1005.6)
- Scenarios

Regulation E Purpose & Authority

Establishes the basic rights, liabilities, & responsibilities of consumers who use EFTs & remittance transfer services & of financial institutions or other persons that offer these services

Primary objective is the protection of individual consumers engaging in EFTs & remittance transfers

Electronic Funds Transfer Act

Regulation E

Subpart A – Electronic Fund Transfers (EFT)

Subpart B – Remittance Transfers

ACH*

Debit card

Prepaid account*

ATM transfers

Wire

Prepaid card

IAT

Key Definitions

Access Device: A card, code, or other means of access to a consumer's account, or any combination thereof, that may be used by the consumer to initiate electronic fund transfers



Account: A demand deposit, savings, or other consumer account established primarily for personal, family, or household purposes

- Includes “payroll cards” where an employer establishes cards (access devices) through which compensation is transferred on a recurring basis
- Unemployment cards are covered
- HSA account cards are not covered



Definitions



Business Day:

- Any day on which the offices of the consumer's financial institution are open to the public for carrying on substantially all business functions

Banking Day:

- A day the Federal Reserve Operates

Calendar Day:

- Any day of the year

Definitions

Consumer

- A natural person

Person

- A natural person
- An organization
- Corporation
- Government agency
- Estate
- Trust
- Partnership
- Proprietorship
- Cooperative
- Association

Definitions

Electronic Terminal: Electronic device other than a telephone used to initiate an electronic fund transfer

- POS, ATM, & cash dispensers

Financial Institution:

- Bank
- Savings Association
- Credit Union
- Other person that holds an account belonging to a consumer or that issues an access device and agrees to provide EFT



Coverage

Electronic Fund Transfer (EFT)

- Any transfer of funds that is initiated through an electronic terminal, telephone, computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit a consumer's account
 - Debit Card Transactions (Single Message and Dual Message)
 - ATM Transactions
 - ACH (PPD, ARC, BOC, POP, TEL, WEB)
 - Must disclose that one-time EFTs initiated using information from a consumer's check are a type of transfer the consumer can make

Important Definitions

Unauthorized EFT

- An EFT from a consumer's account initiated by a person other than the consumer without actual authority to initiate the transfer & from which the consumer receives no benefit
- Does not include the following:
 - By a person who was furnished the access device to the consumer's account by the consumer, unless the consumer has notified the financial institution that transfers by that person are no longer authorized;
 - With fraudulent intent by the consumer or any person acting in concert with the consumer; or
 - By the financial institution or its employee



The term “error” means:

- An unauthorized EFT
- An incorrect EFT to/from consumer’s account
- The omission of an EFT from a periodic statement
- A computational or bookkeeping error made by FI related to EFT
- The consumer’s receipt of an incorrect amount of money from an electronic terminal
- An EFT not identified in accordance with §1005.9 or §1005.10
- The consumers request for documentation or additional information or clarification concerning an EFT

“Error” does not include:

- A routine inquiry about the consumer's account balance;
- A request for information for tax or other recordkeeping purposes; or
- A request for duplicate copies of documentation

Happiness ≠ Regulation E

Regulation E does not provide protection related to the quality of goods or services represented by the transaction

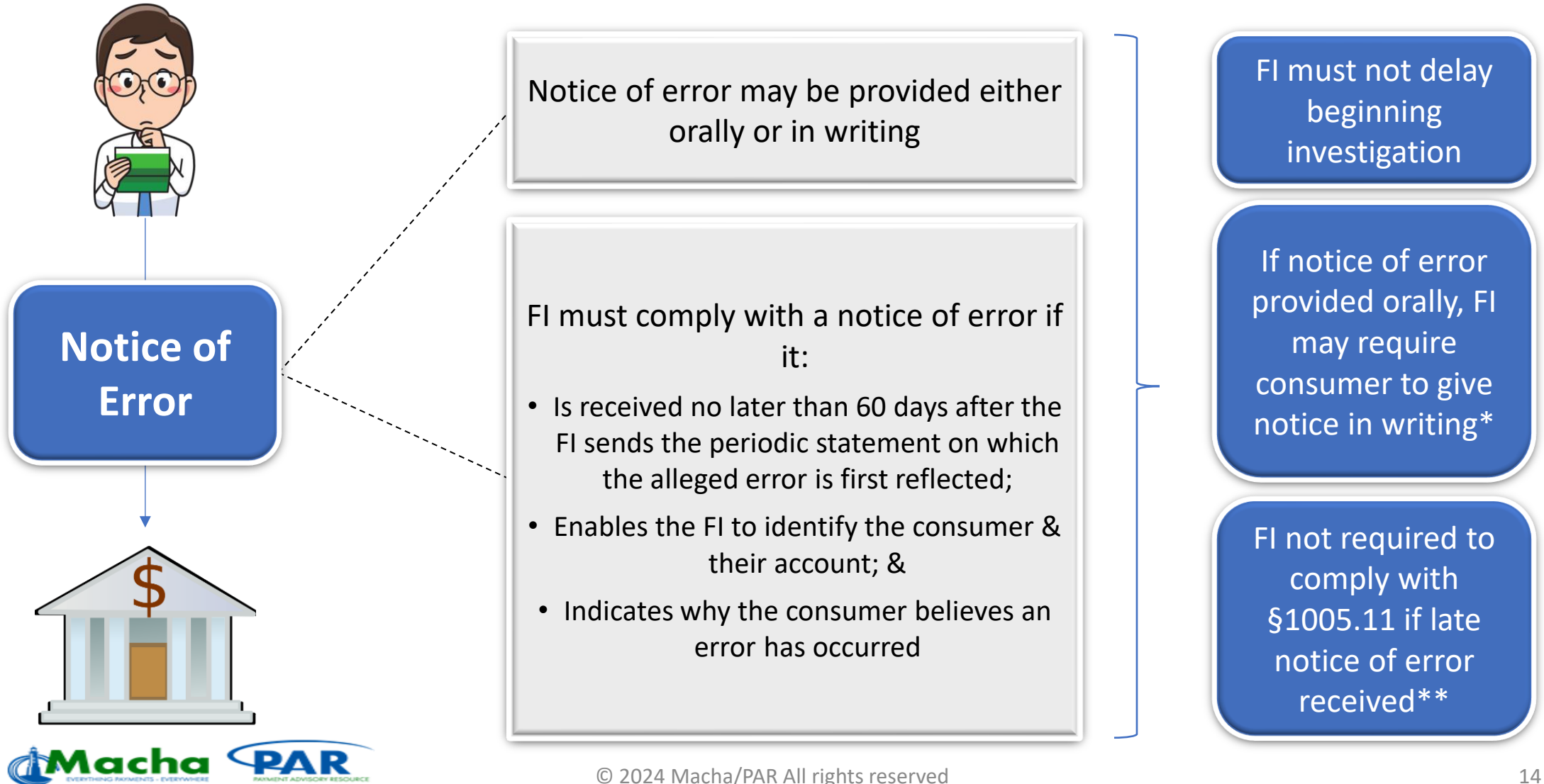




Error Resolution

- Regulation E provides rules that protect consumers in regards to “errors” in electronic transactions.
- If a consumer claims that an error has occurred, the financial institution is required to:
 - Take ACTION by:
 - INVESTIGATING the error
 - Providing a RESOLUTION to the consumer and
 - COMMUNICATING the resolution to the consumer

Consumer's Notice of Error



Consumer's Notice of Error (cont.)

Notice of error may be provided either orally or in writing

FI must comply with a notice of error if it:

- Is received no later than 60 days after the FI sends the periodic statement on which the alleged error is first reflected;
- Enables the FI to identify the consumer & their account; &
- Indicates why the consumer believes an error has occurred

FI must not delay beginning investigation

If notice of error provided orally, FI may require consumer to give notice in writing*

FI not required to comply with §1005.11 if late notice of error received**

- FI's discretion
- May require written confirmation from consumer within 10 business days of the oral notice of error
- Must notify consumer of the requirement & the address for which the consumer may send the written notice
- FI not required to provide provisional credit if consumer does not comply

Consumer's Notice of Error (cont.)

Notice of error may be provided either orally or in writing

FI must comply with a notice of error if it:

- Is received no later than 60 days after the FI sends the periodic statement on which the alleged error is first reflected;
- Enables the FI to identify the consumer & their account; &
- Indicates why the consumer believes an error has occurred

FI must not delay beginning investigation

If notice of error provided orally, FI may require consumer to give notice in writing*

FI not required to comply with §1005.11 if late notice of error received**

- DOES NOT mean the FI does not have to investigate alleged error
- FI may choose to disregard investigation timeframes, provisional credit, etc.
- FI **MUST** continue to follow §1005.6 if liability will be assigned to the consumer

Error Investigation



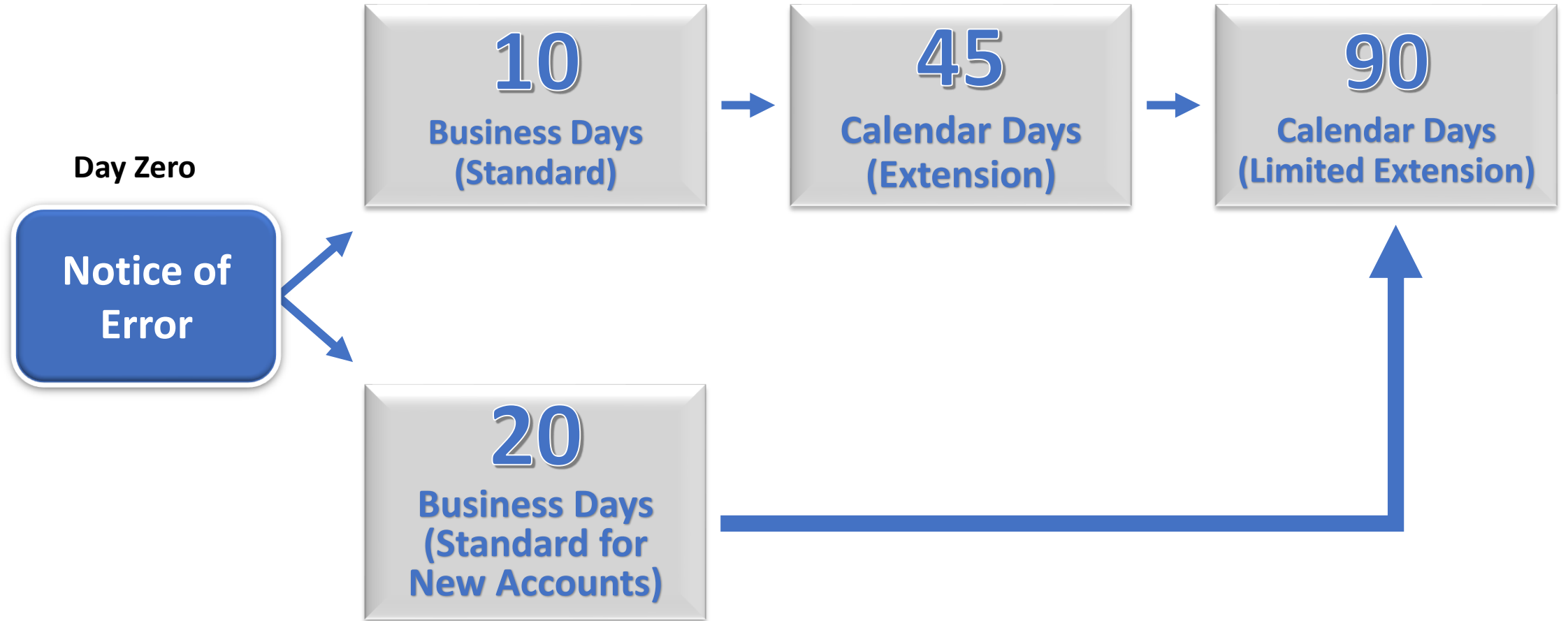
Notice of Error



- Unless indicated, required notices to the consumer referenced in §1005.11 may be provided either orally or in writing to a consumer
- May not charge consumer a fee for any aspect of error-resolution process
- FI may choose to make correction to consumer's account w/o investigation but must follow all other requirements of §1005.11
 - Generally, a FI's review of its own records regarding an alleged error satisfies the requirements of §1005.11

Error Investigation

Investigation Timeframes



Investigation Timeframes (cont.)



No provisional credit required at this point

Shall complete investigation with 10 business days

May take 20 business days if notice of error involves an EFT to/from account within 30 days of the first deposit to the account

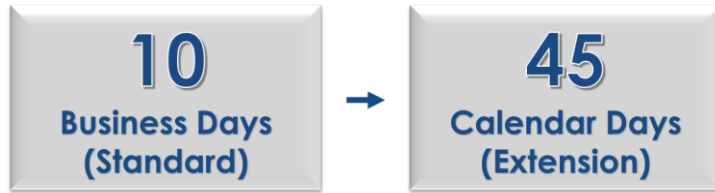
If the FI determines an error has occurred:

1 Correct the error within one business day of determining an error occurred

&

3 Report the results to consumer within three business days of completing the investigation

Investigation Timeframes (cont.)



FI may extend investigation if provisional credit is given to consumer with the 10 business days*

*Provisional credit not required if FI received late notice of error or did not receive written confirmation of notice of error from consumer within 10 business days of oral notice of error

If the FI must provide provisional credit to consumer:

2

Inform consumer of provisional credit (amt, date, full use) within two business days of crediting

If the FI determines an error has occurred:

1

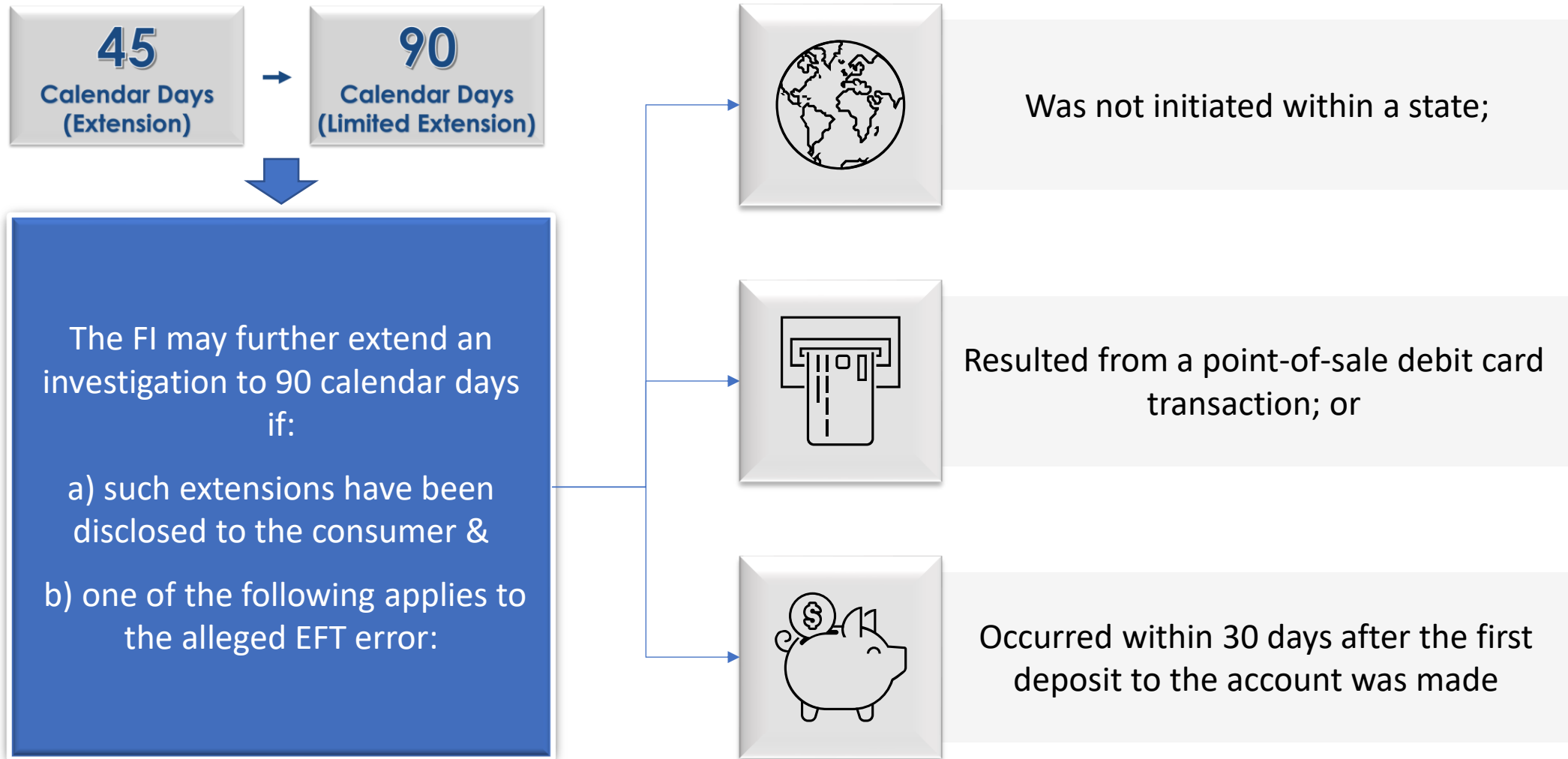
Correct the error within one business day of determining an error occurred

&

3

Report the results to consumer within three business days of completing the investigation

Investigation Timeframes (cont.)



Determination of “No Error”



Notice of
Error

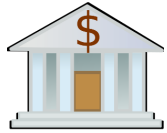


If FI determines no error occurred:

- Must provide consumer with written explanation of FI’s findings within three business days of completing the investigation & inform the consumer of it’s right to obtain copies of documents used in the FI’s determination; &
- If provisional credit was provided, notify the consumer of:
 - a) the amount & date of debiting of the provisional credit; &
 - b) that the FI will honor checks, drafts, & preauthorized EFTs to the account, up to the amount of the provisional credit, for five business days after notice

Error Investigation (Complete)

Consumer Liability for Unauthorized Transfers (§1005.6)



• FI's Responsibilities

- Must have previously disclosed consumer liability under Reg E
- If an unauthorized EFT using an access device, FI must:
 - Ensure device was an “accepted” device; &
 - Provided a means to identify the consumer to whom it was issued



• Notice to the FI

- Liability is based solely on timely or untimely notice given to the FI by the consumer
 - Three tiers of liability
- FI may not impose greater liability due to consumer negligence
 - E.g., writing the PIN on the back of a debit card

Timely Notice Given

If the consumer notifies the FI within two business days after learning of the loss or theft of the access device, the consumer's liability shall not exceed the lesser of:

- \$50; or
- the amount of unauthorized transfers that occur before notice to the FI



Access
device
lost/stolen



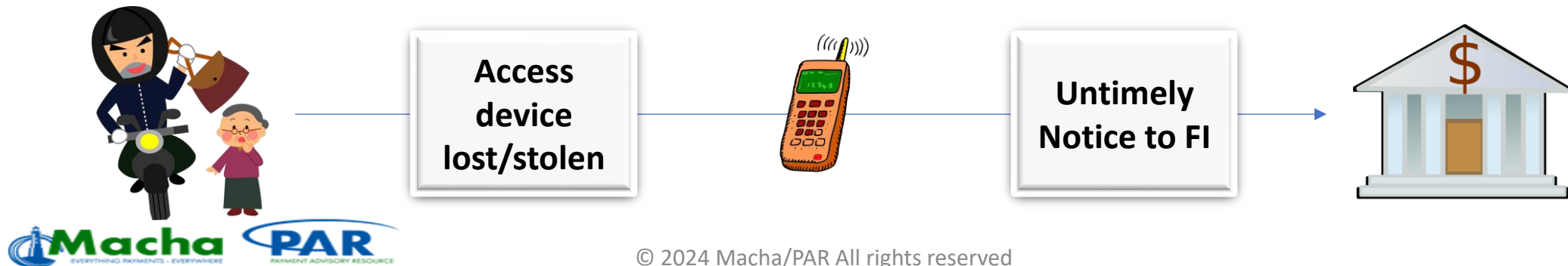
Timely
Notice to FI



Timely Notice Not Given

If the consumer fails to notify the FI within two business days after learning of the loss or theft of the access device, the consumer's liability shall not exceed the lesser of \$500 or the sum of:

- \$50 or the amount of unauthorized transfers that occur within the two business days, whichever is less; **and**
- Amount of unauthorized transfers that occur after the close of two business days & before notice to the FI, provided the FI establishes that these transfers would not have occurred had the consumer notified the FI within that two-day period



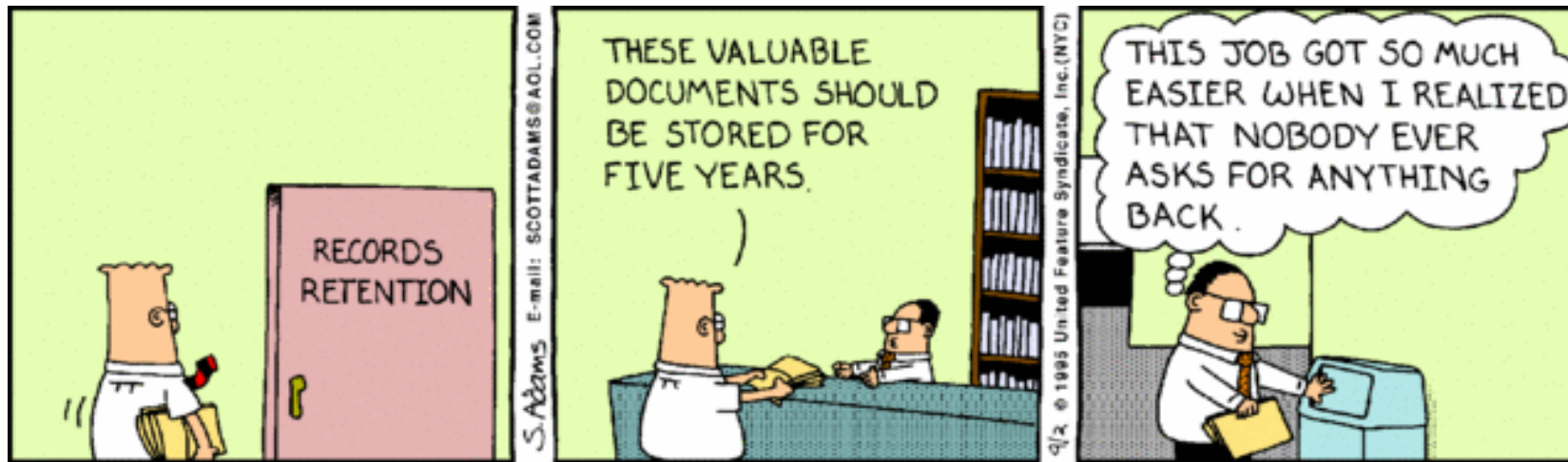
Periodic Statement; Timely Notice Not Given

If the consumer fails to notify the FI of an unauthorized EFT that appears on a periodic statement within 60 days of the FI's transmittal of the statement, the consumer's liability shall not exceed the amount of unauthorized EFTs that occur after the close of the 60 days & before notice to the FI, & that the FI establishes would not have occurred had the consumer notified the FI within the 60-day period

- When a lost/stolen access device is involved in the unauthorized transfer, the consumer may be liable for other amounts previously described
- When an access device is not involved in the unauthorized transfer, the above paragraph applies solely
 - No liability would apply for entries occurring before the close of the 60-day period
 - Unlimited liability could apply for unauthorized transfers occurring beyond the 60-day period & until the consumer notifies the FI

Retention

Must retain evidence of compliance for a period of not less than 2 years from the date the specific action is required



Regulation E Timeline



Recovering Funds



ACH – RIGHT OF RETURN WITHIN
60 DAYS OF SETTLEMENT DATE



CARD – FILE CHARGEBACKS FOR
UP TO 120 DAYS



THESE ARE SEPARATE TIMELINES
FROM REGULATION E!

Errors Beyond 60 Days

- Scenario: Account holder didn't look at their statement for six months and now noticed an unauthorized debit for \$159 every month on their account that they now want to dispute.



March 4

April 4

May 4

June 4

July 4

August 4



Total dispute amount: $\$159 \times 6 = \954



Statement cuts 30th of the month



Today is September 10

March 4

April 4

May 4

June 4

July 4

August 4

- Today is September 10.
- First Statement Date is March 30.

- Per Reg E, you are required to handle the transactions that posted within 60 days of the Statement Date.
- 60 Days from Statement Date = May 30
- You CAN submit chargebacks for transactions that occurred within 120 days from September 15. Do you?
- How is this different for ACH?

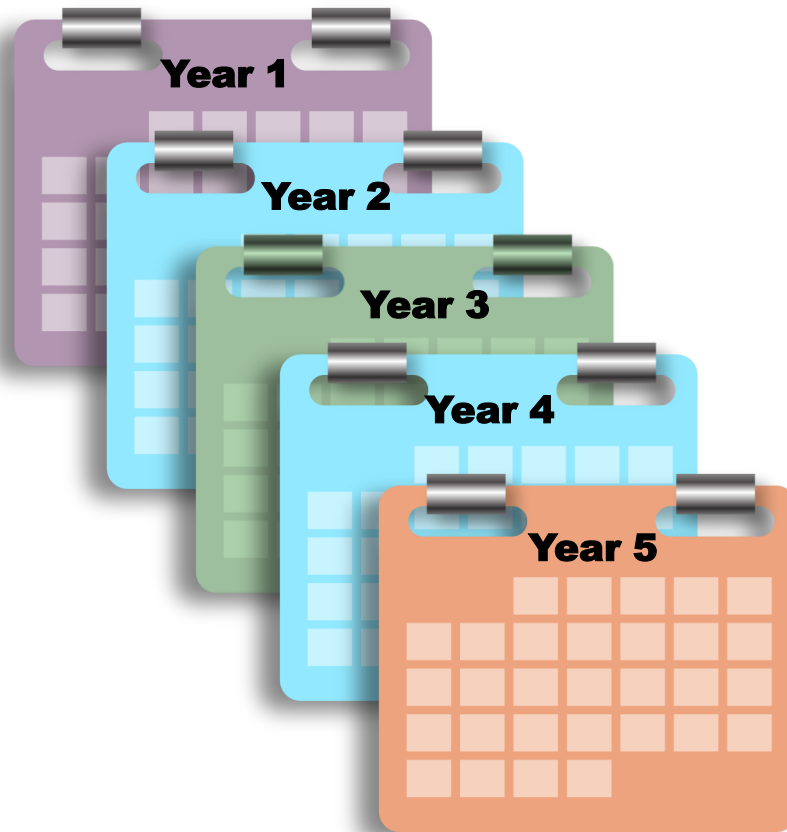
Limitations on Warranty Claims

- ODFI warrants that:
 - An Entry is properly authorized; &
 - Authorization has not been terminated

Non-Consumer Account	Consumer Account
1 year from Settlement Date of unauthorized Entry	2 years from Settlement Date of unauthorized Entry <i>PLUS</i> 95 calendar days IF <u>more than 2 years</u> has <u>elapsed</u>

Limitations on Warranty Claims

Consumer Dispute Beyond 2 Years

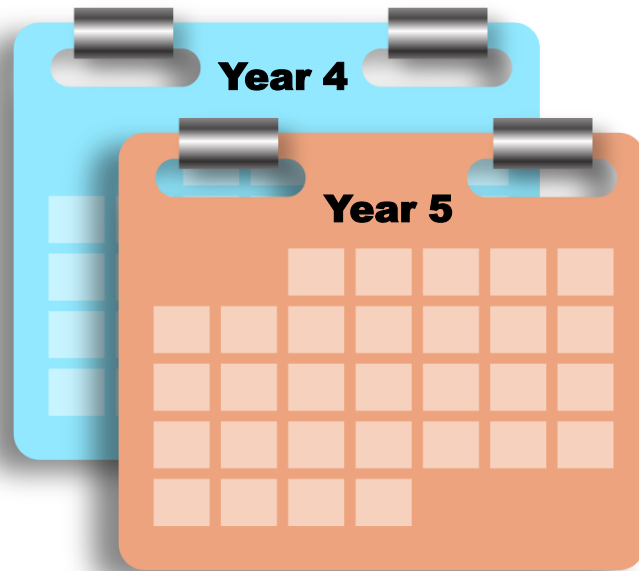


Consumer notifies its RDFI of unauthorized debits, which have been taken out monthly for the past 5 years

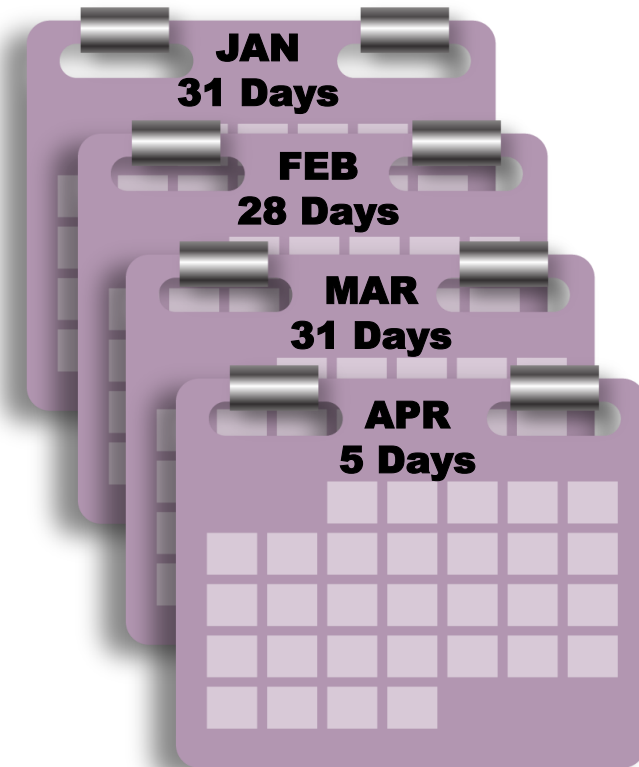
What is the limitation on the warranty claim?

Limitations on Warranty Claims

Consumer Dispute Beyond 2 Years



Last 2 years



95 calendar days
of Year 1

Scenarios – Are these covered by Reg E?

- Buying a puppy via Paypal. Never got the puppy.
- I was told to go out and purchase gift cards. I gave the gift card numbers out. My computer is still not fixed.
- I gave my card number to the man who called me. I can see these charges now that he did.
- I gave my card to my grandson to spend \$20. He spent \$200.
- Paid by other means. And do they need to provide proof?
- Scam website
- Any version of P2P service

Questions??





Continuing Education Credits



Resolving Errors with Regulation E

September 10, 2024

This session is worth 1.8 credits

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HELP DESK

Phone:
262-345-1245
410-859-0090

Toll Free:
800-453-1843

Fax:
262-345-1246

info@macha.org
education@macha.org