

AAP Train the Trainer Supplement #7 – Regulation E Quick Reference Guide

Regulation E Topic	General Concepts
The Law	Electronic Fund Transfer Act (EFTA) of 1978
The Procedures	Regulation E
Reason for Being	Rights, liabilities, responsibilities of consumers and financial institutions who use and offer electronic fund transfers
Primary Objective	Protection of consumers
Applicability	Consumer accounts that are used primarily for household purposes
Exclusions	Transactions subject to UCC Article 4A, Checks, Domestic wire transfers, Securities, Automatic transfers by account-holding institution, Telephone-initiated transfers, Small institutions
EFT – Electronic Fund Transfer	“...any transfer of funds initiated through an electronic terminal, telephone, computer...for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account...” -
Preauthorized Electronic Fund Transfer	Means an EFT authorized in advance to recur at substantially regular intervals – (Recurring ACH Entry)
Access Device	A card, code or other means of access to a consumer’s account...that may be used by the consumer to initiate EFTs
Access Device Exclusion	Checks used as source documents for EFTs – ACH Entry – ARC, BOC, POP (are allowed)
Record Retention	Retain evidence of compliance with Act for a period of not less than 2 years – examples include: disclosures, periodic statements, error resolution
General Disclosure – Initial	Financial institution provides to consumer at time of EFT contract or prior to first EFT entry – includes: liability, contact information, business days, types of EFTs and limitations, fees, stop payment, liability of institution, error resolution, etc
General Disclosure – Annual	Error resolution notice – annual can be replaced by error resolution notice included on periodic statement
General Disclosure Change in Terms	21 days in advance of change in terms such as: increased fees, increased liability, restriction on EFT types, dollar or frequency limits
Periodic Statements	Financial institution shall send a periodic statement for each monthly cycle in which an EFT has occurred and at least quarterly if no transfer has occurred. Must include: amount, date, type, terminal location, name of third party to or from funds were transferred, account number, fees, balances, address and telephone number for inquiries. Exclusions include Passbook Accounts and Intra-institutional transfers
EFT Authorization	Notice or Oral or Silent – example on Silent – Credit entries Authorization must be identifiable as such. Terms of authorization must be clear and readily understandable.
Preauthorized EFT Authorization	May be authorized only by a writing signed or similarly authenticated by the consumer. Copy of authorization must be provided to consumer
Consumer Liability	Consumer must report an unauthorized EFT within 60 days of the financial institution’s transmittal of the periodic statement to avoid liability for subsequent transfers . Consumers are generally not

	liable for unauthorized EFT within first 60 days (not dependent upon when they notice error)
Tiered Liability for Unauthorized EFTs with Access Device	Timely notice given of loss or theft – within 2 business days of discovery = the lesser of \$50 or the amount of unauthorized transfers that occur before notice to the financial institution. Timely Notice Not Provided = the lesser of \$500 or the sum of: \$50 or the amount of unauthorized transfers that occur within the 2 business days, whichever is less; and the amount of unauthorized transfers that occur after the close of 2 business days and before notice to the institution
Errors According to Regulation E	Unauthorized EFT, incorrect EFT, omission of EFT from statement, computational or bookkeeping error by financial institution, receipt of incorrect amount from an electronic terminal, EFT not identified correctly on statement, additional information needed by consumer to determine if erroneous
Error Resolution Timeframes	Oral or written notice to financial institution: 10 business days of receipt of notice of error to investigate/complete 1 business day to correct error after determination 3 business days report results to consumer
Error Resolution Timeframes – DFI Investigation Not Completed Within 10 Business Days	Financial institution needs additional time to investigate: The institution may take up to 45 days (calendar) from receipt of notice of error to investigate / complete Provisional credit must be given to consumer during initial 10 business days Institution must inform consumer within 2 business days of provisional credit Institution has 1 business day to correct error after determination Institution has 3 business days to report results to consumer
Error Resolution Timeframes – Exceptions	Financial institution needs additional time to investigate: The applicable time is 20 business (versus 10 business days) days to investigate if the notice of error involves a consumer account opened within last 30 days The applicable time is 90 calendar days (versus 45 calendar days) to investigate if the notice of error involves an EFT: Not initiated within a state; Resulted from a Point-of-sale debit card transaction; or Occurred on consumer account within 30 days of opening
Exceptions to Provisional Credit Requirement	An institution need not provisionally credit the consumer’s account if: Financial institution requires written confirmation of an oral notice of error by consumer but does not receive; or The alleged error involves an account that is subject to Reg T (Securities)
Debiting of Provisional Credit	Financial institution determines no error has occurred and debits provisional credit: Institution must notify Consumer of the date and amount of the debiting Institution must notify consumer that institution will honor

	transactions (without charge the consumer as a result of an overdraft) for 5 business days after notification
Stop Payment	Consumer may place a stop payment of a preauthorized EFT by notifying the financial institution orally or in writing at least 3 days before the date of the transfer. If request is to stop all future payments financial institution may require written confirmation of revocation by the consumer with 14 days of the oral notification.