



Regulation E

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Regulation E Basics

- Implements the Electronic Fund Transfer Act
- Part 1005 covers:
 - Electronic fund transfers made to or from accounts, including prepaid accounts
 - Error resolution
 - Overdraft services
 - Remittances
 - Appendix includes model forms and commentary



Scope

- Account

“consumer asset account . . . held directly or indirectly by a [credit union] and established primarily for personal, family or household purposes”

Includes:

- Checking and savings accounts
- Payroll card accounts
- Prepaid accounts

Excludes:

- Business accounts
- Escrow accounts
- Accounts held under a bona fide trust



Scope

- Electronic fund transfer (EFT)

“transfer of funds that is initiated through an electronic terminal, telephone, computer or magnetic tape for the purpose of . . . authorizing a [credit union] to debit or credit a [member’s] account”

- Electronic terminal

“electronic device . . . through which a consumer may initiate an electronic fund transfer”

Includes point-of-sale (POS) terminals and ATMs



Scope

- EFT or not?
 - Debit card transactions using a PIN
 - Debit card transactions using a signature
 - Wire transfers, such as via Fedwire or CHIPS
 - ACH transfers, such as direct deposit
 - Online purchases
 - Purchases or sales of securities and commodities
 - Cash deposit made at an ATM
 - Checks

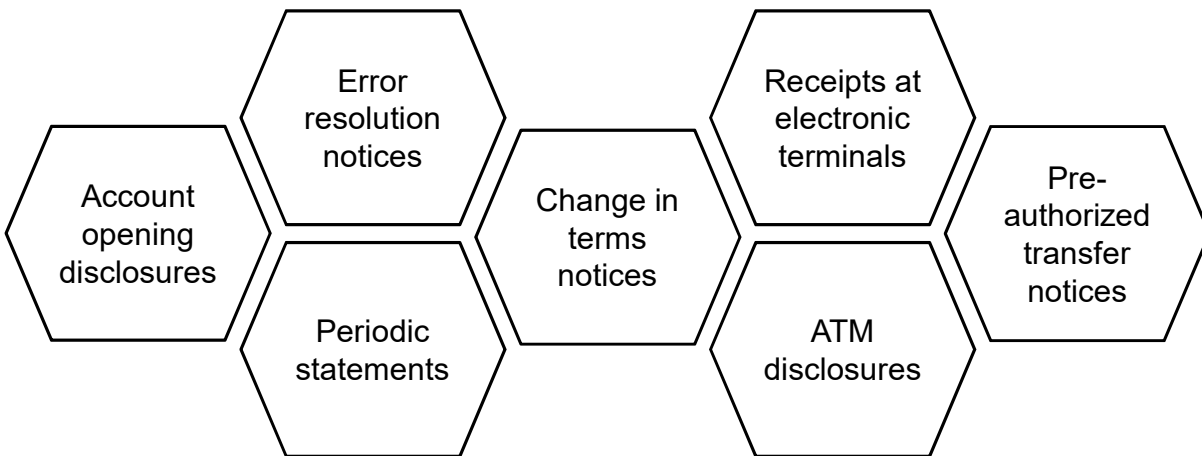


Scope

- EFT – other exclusions:
 - Automatic transfers:
 - between the consumer's accounts at the same credit union
 - from a consumer's account to an account of his family member at the same credit union
 - Fees and provisional credits
 - Certain telephone-initiated transfers
 - Preauthorized transfers from small institutions
 - assets of \$100 million or less as of the preceding December 31



Disclosures



General Requirements

- All disclosures must:
 - Be clear and readily understandable
 - Be in writing
 - Be in a retainable form
- All disclosures may:
 - Be made to any accountholder when there are multiple accountholders
 - Be combined with other disclosures



Account Opening

- Timing: when account is opened or anytime before the first EFT is made to or from the account
- Content requirements, include:
 - Types of EFTs the member may make, including limitations
 - Summary of the member's right to stop payment of preauthorized transfers
 - Summary of the member's right to receipts at electronic terminals, periodic statements and preauthorized transfer notices
 - ATM and EFT fees



Error Resolution Notice

- Timing: account opening and annually
 - Annual notice alternative
 - May provide abbreviated notice on each periodic statement
- Content requirements
 - Informs members how to report errors and ask questions regarding EFTs
 - Explains the error resolution process
 - Model Form A-3
 - (a) provides the initial and annual notice
 - (b) provides the abbreviated notice



Periodic Statements

- Timing: each month an EFT occurs
 - If no EFTs occur, each quarter
- Content requirements
 - EFT transaction information
 - Account number
 - Fees imposed
 - Account balances
 - Phone number and address to report unauthorized EFTs
 - Phone number to confirm preauthorized transfers



Change in Terms

- Advance notice required for changes to account opening disclosures if the change results in:
 - Increased fees for the member
 - Increased liability for the member
 - Fewer types of available EFTs
 - Stricter limits on the frequency or dollar amount of EFTs
- Timing: mailed or delivered 21 days before the effective date of the change



Compulsory Use

- Credit unions cannot require members to repay a loan using preauthorized EFTs
 - Does not apply to credit extended under an overdraft credit plan or to maintain a specified minimum balance in the member's account
- Credit unions may offer lower rates and fees on loans for members who set up automatic payments



What is an Error?

- Unauthorized EFT
- Incorrect EFT to or from the member's account
- Omission of an EFT from a periodic statement
- Computational or bookkeeping error made by the credit union relating to an EFT
- Member's receipt of an incorrect amount of money from an ATM
- Member's request for documentation, additional information or clarification concerning an EFT unless it is clear member is requesting duplicates



What is an Error?

- Unauthorized EFT
 - Transfer from a member's account initiated by someone without actual authority to initiate the transfer and from which the member receives no benefit
 - Excludes:
 - EFT initiated by a person who was provided the access device by the member
 - Fraudulent intent by the member or any person acting in concert with the member
 - Fraudulent intent by the credit union or its employee



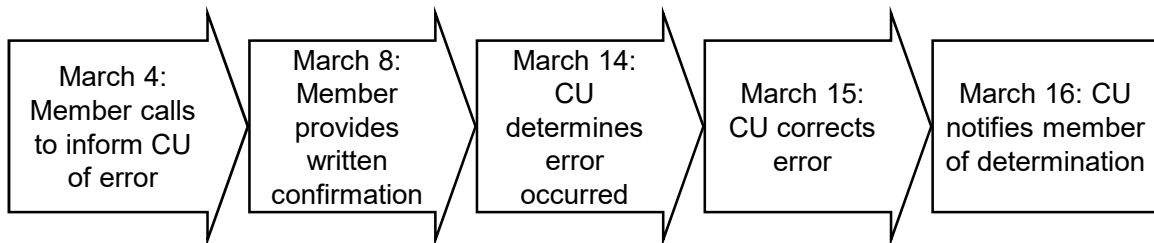
Notice of Error

- Content requirements
 - Identifying information, such as name, account number, Social Security number, etc.
 - Indication of error, including the type, date and amount of the error
- Notice may be in person, written or verbal
- Can require written confirmation of verbal notice
 - Must tell the member this when verbal notice is provided
- Notice must be provided within 60 days of sending the periodic statement reflecting the unauthorized EFT



Investigation Timeline

- General rule: 10 business days from date of notice to complete investigation
 - Correct error within 1 business day of determining error occurred
 - Notify member of determination within 3 business days



Investigation Timeline

- 10 business days extends to 45 calendar days if:
 - Provisionally credit member's account for the full amount of the alleged error within 10 business days
 - Notify the member within 2 business days of provisionally crediting account of the date and amount of the credit
 - Allow member full use the credited funds
 - Correct error within 1 business day of determining error occurred
 - Notify member of determination within 3 business days



Investigation Timeline

- Exceptions:
 - New accounts: the EFT at issue was made within 30 days of the first deposit after account opening
 - 10 business days extends to 20 business days
 - 45 calendar days extends to 90 calendar days
 - EFT involved resulted from POS debit card transaction or was not initiated in a state
 - 45 calendar days extends to 90 calendar days



Liability

Access device was lost or stolen

Tier One

EFTs occur up to 2 business days after member learns of the loss or theft

Liability: amount of EFTs, max \$50

Tier Two

EFTs occur more than 2 business days after member learns of the loss or theft and within 60 days of sending the periodic statement reflecting first EFT

Liability: Tier One plus amount of EFTs, max \$500

Tier Three

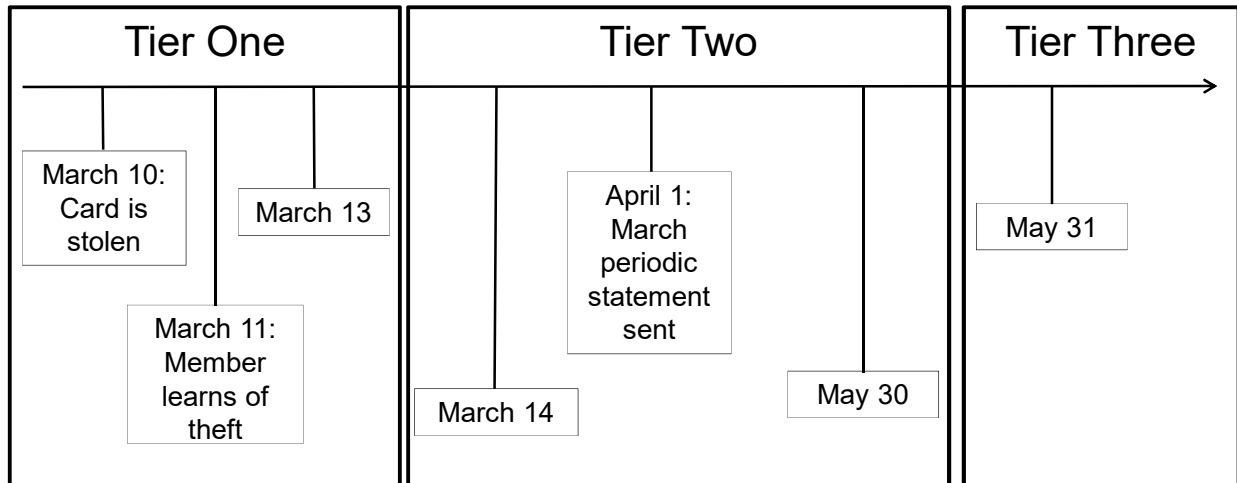
EFTs occur more than 60 days after sending the periodic statement reflecting first EFT

Liability: Tier Two plus amount of EFTs



Liability

Access device was lost or stolen



Test Your Knowledge

Jane uses her debit card to purchase groceries on Monday and accidentally leaves her card at the checkout counter. She discovers the loss on Wednesday evening and notifies the credit union Thursday morning.

Has Jane provided notice such that her liability would be limited to \$50?



Test Your Knowledge

Monday: Mike loses his debit card.

Tuesday: Mike discovers he has lost his debit card. Carl finds Mike's debit card and uses it to make a \$600 purchase.

Friday: Carl makes a \$100 purchase and a \$200 purchase using Mike's debit card.

Saturday: Mike notifies the credit union that he has lost his debit card.

Tier One

Tier Two

Tier Three



Liability

No access device

Tier One

EFTs occur up to 60 days after sending periodic statement reflecting first EFT

Liability: \$0

Tier Two

EFTs occur after 60 days after sending periodic statement reflecting first EFT

Liability: amount of EFTs



Overdrafts

- Notice
 - Model Form A-9
- Reasonable opportunity
 - Must provide a reasonable means to affirmatively consent
 - May require a member to choose at account opening
- Duration and Right to Revoke
 - Effective until revoked
 - Must allow members to revoke at anytime via same methods for opting in



Remittance Transfers

Transfer of funds requested by a sender to send money to a person or business located in a foreign country, which is conducted by the credit union in the normal course of business

- Not in the normal course of business
 - Provided 100 or fewer remittance transfers in the previous calendar year and
 - Provides 100 or fewer remittance transfers in the current calendar year



Disclosures

Option 1

Pre-payment disclosure provided when sender requests the transfer and before payment is made

Receipt provided when payment is made

Option 2

Combined pre-payment disclosure and receipt provided when sender requests the transfer and before payment is made

Proof of payment provided when payment is made



Other Requirements

- Right to cancel
 - Sender may cancel and receive full refund within 30 minutes of making payment
- Error resolution
 - Must provide initial and annual notice
 - Must investigate and resolve errors



Questions

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