ELECTRONIC FUNDS TRANSFER ACT

(REGULATION E)

REVIEW CONSIDERATIONS

Review Considerations

Review Area	Requirements / Recommendations
Coverage	Regulation E applies to any electronic fund transfer that authorizes a credit union to debit or credit a consumer's account. Note: Stored value cards are covered by Regulation E when the transaction accesses a member's account, such as when value is loaded onto the card from the member's deposit account through the use of an electronic terminal or personal computer.
Exclusions from Coverage	The term EFT does not include: • Checks • Check guarantee or authorization services • Wire transfers • Transfers primarily to purchase or sell regulated securities or commodities • Automatic transfers by account-holding credit unions • Non-recurring transfers initiated by a telephone direction from the member to an employee of the credit union • Preauthorized transfers involving credit unions with total assets of $100 million or less.
Policy / Procedures	Adopt a policy for implementing Regulation E. Ensure comprehensive procedures are in place covering the credit union's responsibilities in connection with all electronic fund transfers.
Issuance of Access Devices	Issue an access device only upon an oral or written request or application, or as a substitute for, or renewal of, an existing access device. An unsolicited access device may be distributed if it is:

	(1) not validated; and (2) accompanied by a clear explanation that the device is not validated and how the member may dispose of it if validation is not wanted; and (3) accompanied by appropriate initial disclosures of the member's rights and liabilities if validated, and (4) validated only upon the member's oral or written request after verifying the member's identity.
Liability for Unauthorized Transfers	Adhere to limitations on member liability for unauthorized EFTs. • Generally, members providing notice within two business days after learning of the loss or theft of an access device are liable for the lesser of $50 or the amount of unauthorized transfers occurring before the notice. If the member fails to provide notice within the two business days, liability cannot exceed $500. • Unauthorized EFTs appearing on periodic statements must be reported within 60 days of transmittal of the statement to avoid liability for subsequent transfers. Members will be liable for all transfers that occur after the 60 day period until they notify the credit union, if they fail to provide notice within the 60 day period. The credit union must establish that the unauthorized transfer would not have occurred had the member notified the credit union within the 60 day period. The credit union may be deemed to have constructive notice if it becomes aware of circumstances leading to a reasonable belief that an unauthorized transfer has been made.
Form of Disclosures	Ensure disclosures required under Regulation E are clear and readily understandable in writing and in a form that the member may keep.
Content of Initial Disclosures	Ensure initial disclosures contain required items and are made available at the time a member contracts for an EFT service or before the first EFT is made involving the member's account.
Change In Terms	Provide a written notice to member if a change in

	EFT terms or condition would result in increased fees or charges, increased liability for the member, fewer types of EFTs, or stricter limitations on the frequency or dollar amount of transfers. Note: Prior notice need not be given if an immediate change is necessary for security reasons. Mail or deliver at least 21 days before the effective date of the change.
Error Resolution Notice	Inform account holder of error resolution procedures.
Receipts at Electronic Terminals	Provide receipts for EFTs conducted at electronic terminals at the time an EFT is initiated.
Periodic Statements	Document EFTs in periodic statements. Provide periodic statements for each monthly cycle in which an EFT has occurred. Provide at least quarterly if no EFT has occurred or if access is limited to receipt of preauthorized transfers.
Preauthorized Transfers to Account	For preauthorized EFTs to a member's account occurring at least once every 60 days, notify member or provide a telephone number for member verification of transfer.
Preauthorized Transfers from Account	Preauthorized transfers from an account can only occur with prior written authorization of the member. Allow members to stop payment of a preauthorized transfer from their account upon oral or written notification to the credit union (written confirmation may be required when stop payment is initiated orally).
Error Resolution Procedures	Provide an error resolution procedure that permits oral or written notice by the member within 60 days of the periodic statement. Investigate claimed error and report conclusion within ten business days or provide provisional credit to account and investigate within 45 days. Correct errors and inform member of correction or follow prescribed procedures if a determination is made that no error occurred or a

	different error occurred following the investigation.
Training / Updating	Provide training to all affected employees and update policies and procedures as needed to reflect regulatory changes.
Monitoring / Audit	Monitor compliance with Regulation regarding member liability limitations, disclosure requirements, preauthorized transfer rules, and error resolution procedures.
Record Retention	Maintain evidence of compliance for not less than two years from the date disclosures are required to be made or action taken.