

Electronic Funds Transfer and Error Resolution 2023



FIRST REPUBLIC

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Training Overview

Overview

The **Electronic Funds Transfer Act (EFTA)** implemented through Regulation E is primarily intended to protect individual consumers engaging in electronic fund transfers (EFTs) and remittance transfers. Subpart A of the regulation establishes the basic rights, liabilities, and responsibilities for consumers who use EFT services and financial institutions that offer EFT services. Subpart B of the regulation, covered in a separate training, addresses disclosure requirements for international wire transfers (“remittance transfers”).

In this training, you will review the following topics related to electronic fund transfers:

- 1 Covered Transactions
- 2 Account Disclosures
- 3 Consumer Liability for Unauthorized Transfers
- 4 Procedures for Resolving Errors

CONTINUE

i Navigation tips for buttons/hyperlinks throughout the course: Upon clicking on a button/hyperlink, a new tab will open or a completely separate window will pop up.

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CONTINUE

Transaction Types Under Regulation E

Covered Transactions

An electronic fund transfer (EFT) is a transfer of funds initiated through an electronic terminal, telephone, computer (including online banking), or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit a consumer's account.

EFTs include, but are not limited to, the following:

- ATM transactions (withdrawals and deposits)
- Point-of-sale (POS) transfers
- Automated Clearing House (ACH) transactions (e.g., direct deposits, withdrawal of funds)
- Telephone bill payments and transfers
- Pre-authorized transfers (recurring debits and credits authorized in advance such as bill payment)
- Debit card transactions (whether initiated through an electronic terminal, e.g., ATM, POS)

CONTINUE

Account Disclosures

Account Disclosures (for consumer accounts only)

Initial disclosures of the terms and conditions of EFT services must be provided to clients:

- Before the first EFT is made; or
- At the time the consumer contracts for an EFT service.

The disclosures must include:

- A summary of various consumer rights under the regulation
- The consumer's liability for unauthorized EFTs
- The types of EFTs the consumer may make
- Limits on the frequency or dollar amount
- Fees
- The error resolution procedures

These disclosures are provided to clients when they request for an EFT service (e.g., ATM/Debit Card, Bill Pay) and before the client makes the first EFT.

Error Resolution Notice

- Each calendar year, the Bank must send an Error Resolution Notice to accounts where EFTs can be made.

The Bank provides this notice on the back of each periodic statement.

CONTINUE

Unauthorized EFTs Explained

Consumer Liability for Unauthorized Transfers

An unauthorized electronic fund transfer is an EFT from a consumer's account initiated by a person (other than the consumer account owner) without the actual authority to initiate the transfer and from which the account owner receives no benefit. An unauthorized EFT does not include an EFT initiated by:

- A person who was furnished the access device to the account by the account owner, unless the account owner has notified the Bank that transfers by that person are no longer authorized.
- The account owner with fraudulent intent or any person acting in concert with the account owner with that intent.
- The Bank or its employee.

Promptness in notifying the Bank of an error/unauthorized EFT determines a consumer client's liability.

The following chart details consumer clients' liability for unauthorized EFTs.

Summary of Consumer Liability for Unauthorized EFTs		
Event	Timing of Consumer Notice to the Bank	Consumer Liability

Summary of Consumer Liability for Unauthorized EFTs

<p>Loss or theft of access device¹</p>	<p>Within two business days after learning of loss or theft.</p>	<p>Consumer liability will not exceed \$50 from the total amount of unauthorized transfers that occurred before the client's notification to the Bank.</p>
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Summary of Consumer Liability for Unauthorized EFTs

Will not exceed \$500 from:

- Maximum of \$50 from the total amount of unauthorized transfers occurring in the first two business days; plus
- The dollar amount of unauthorized transfers occurring after two business days and before notice to the Bank (unless the Bank has proof that these transfers would not have occurred if client provided notice within the two-business day period).

More than two business days after learning of loss or theft up to 60 calendar days after mailing of the periodic statement showing the first unauthorized transfer made with access device.

More than 60 calendar days after the mailing of the periodic statement showing the first unauthorized transfer made with access device.

For transfers occurring within the 60-day period, consumer liability will not exceed \$500 from:

- Maximum of \$50 from the dollar amount of unauthorized transfers in first two business days; plus
- The dollar amount of unauthorized transfers occurring after two business days.

For transfers occurring after the 60-day period, consumer

Summary of Consumer Liability for Unauthorized EFTs

		liability is unlimited (until the Bank is notified).
Unauthorized transfer(s) not involving loss or theft of access device ¹	Within 60 calendar days after mailing of the periodic statement showing the first unauthorized transfer.	No liability.
	More than 60 calendar days after mailing of the periodic statement showing the first unauthorized transfer.	Consumer liability is unlimited for unauthorized transfers occurring 60 calendar days after the periodic statement and before notice to the Bank.

¹An access device is a card, PIN, code or other means of access to a consumer's account that may be used by the consumer to initiate EFTs.

- i** For California residents, clients are not liable for the \$500 described above. For Massachusetts and New York residents, clients' liability for the unauthorized use of the ATM/Debit Card does not exceed \$50.

If a consumer delays their error/unauthorized EFT notification to the Bank due to extenuating circumstances (such as a natural disaster, hospitalization, extended travel, etc.), the Bank may extend the liability timeframes to a "reasonable" period.

CONTINUE

Knowledge Check

The knowledge check is not scored and you will receive immediate feedback.

Select the only scenario below that would be considered an “unauthorized EFT”:

- Your client, Mrs. Costanza, gave her debit card to her daughter to buy textbooks for the fall semester. The daughter used her mother’s debit card instead to purchase a new television for her dorm room. Two weeks later, your client asked her daughter about the large purchase, and the daughter admitted she made the purchase. The following day, Mrs. Costanza called the Client Care Center and reported the incident.

- A fraudster called your client, Mr. Peterman, and pretended to be his preferred banker. Mr. Peterman unknowingly provided the fraudster with his account information. The fraudster then used your client’s account information to initiate thousands of dollars worth of EFTs from his account. Two days after receiving the call, Mr. Peterman signed in to his mobile banking app and noticed large transactions posted to his account that he never initiated. That same day, Mr. Peterman reported these transactions to his local Preferred Banking Office.

- Your client, Ms. Benes, purchased a new couch online but was very unhappy with the product she received. A week following the delivery of the couch, Ms. Benes contacted the Client Care Center and complained about the couch, and demanded the Bank get her money back from the merchant.

SUBMIT



Complete the content above before advancing.

Error Resolution Responsibilities for Consumers

Procedures for Resolving Errors

The following are the types of errors subject to the EFT error resolution procedures:

- Unauthorized EFT
- Incorrect EFT to or from a consumer's account
- Omission of an EFT to or from the consumer's periodic statement
- Computational or bookkeeping error made by the Bank regarding an EFT
- Receipt with an incorrect amount of money from an electronic terminal (e.g., ATM withdrawal or deposit)
- EFT not properly identified/described to allow a consumer to identify the transaction
- Consumer requests for clarification, additional information, or any documentation concerning an EFT to determine whether an error was made

The following are not considered errors:

- ATM receipts not provided for transactions of \$15 or less

- Routine inquiries about the account balance or requests for duplicate copies of documentation or other information that is made only for tax or other recordkeeping purposes

The following are the responsibilities of **consumer clients**:

- **Review account statements as soon as they are received and promptly notify the Bank if any error or unauthorized transaction is known or suspected.**
 - The initial notification can be provided to the Bank **in writing or verbally**.
 - The longer it takes for the Bank to be notified, the higher the client's liabilities (please click on the below button to view the **Summary of Consumer Liability for Unauthorized EFTs** Chart).
 - The notice must include any information to identify the client's name and account number, the reason the client believes the error exists, and the type, date, and amount of the error.

Summary of Consumer Liability for Unauthorized EFTs

Please click on the button to view chart seen in Lesson 4: Unauthorized EFTs Explained.

GO TO CHART

CONTINUE

Error Resolution Responsibilities for Banks

Procedures for Resolving Errors

The following are the responsibilities for **the Bank** upon notification from a consumer client:

- **The Bank must promptly begin the investigation upon initial report.**
 - The clock starts ticking as soon as the client provides notice of the error/unauthorized EFT, whether verbally or in writing.

- **The Bank may request that the client give written confirmation of an error/unauthorized transaction within 10 business days of the initial verbal notification. However, the Bank:**
 - May not delay initiating or completing an investigation pending receipt of written confirmation.
 - Cannot require a client to submit a police report or to provide additional documentation.
 - May ask for additional documentation in possession with third parties to support disputes but cannot refuse to assist the client simply because the client is unwilling to provide additional documentation.

CONTINUE

Investigation Timeline

Investigation Timeline	Extended Investigation Timeline
<p>The Bank has 10 business days from the initial report to complete the investigation.</p>	<p>For new accounts, the Bank has 20 business days from the initial report to complete the investigation (a new account error occurs when the notice of error involves an EFT to or from the account within 30 days after the date the first deposit was made to the account).</p>
<p>The Bank may take up to 45 calendar days to complete the investigation as long as it:</p> <ul style="list-style-type: none"> • Issues provisional credit of the funds (including interest if the account is interest-bearing) to the client's account within 10 business days after the client notified the bank. • Notifies the client, within two business days after the provisional credit is provided: <ul style="list-style-type: none"> ◦ Of the date and amount of the provisional credit, including interest, if any. ◦ That the client has the full use of the provisional credit during the investigation. <p>Note: If the Bank requested written confirmation and did not receive it within 10 business days of a verbal notice of error, the Bank does not have to provide provisional credit.</p>	<p>The Bank may extend the investigation period up to 90 calendar days if the notice of error involves an EFT that:</p> <ul style="list-style-type: none"> • Was not initiated within a state • Resulted from a point-of-sale (POS) debit card transaction; or • Occurred on a new account (within 30 days after the first deposit to the account was made). <p>The provisional credit in these cases may be issued within 20 business days after the client notified the Bank.</p>

CONTINUE

Conclusion of an Investigation

When the Bank determines that **an error occurred**:

- **The Bank has one business day to correct the error and, as applicable, credit the corresponding amount of interest and refund any fees imposed (e.g., refund any finance charges incurred as a result of the error).**
- **The Bank has three business days to send a written explanation to the consumer, including, as applicable:**
 - The Bank's findings of the investigation; and
 - The date and amount of the credit, the corresponding interest amount, and any refund of fees imposed as a result of the error; or
 - The fact that the provisional credit has been made final and any refund of fees imposed due to the error.

When the Bank determines that **no error or different error occurred**:

- **The Bank has three business days to send a written explanation to the consumer client, including the following:**
 - The Bank's findings of the investigation.
 - The fact that the client has the right to request the documents that the Bank relied upon in making its determination; upon request, the Bank is required to provide copies of these documents promptly.
 - Date and amount of the provisional credit that will be debited from the client's account.

i If the provisional credit is debited within five business days from the date the notification is sent out, the notification needs to include the fact that:

- For five business days following that notification, the Bank will honor debits to third parties and preauthorized transfers (that it would have paid if the provisionally credited funds had not been debited).

- The Bank will not charge overdraft fees related to these specific transactions.

CONTINUE

Procedures for Resolving Errors: Important Key Takeaways

- **The clock starts ticking as soon as the client provides notice of the error/unauthorized EFT whether verbally or in writing.**
- As a client facing employee (e.g., Preferred Banking Officer, Client Care, etc.), it is crucial to follow your procedures in the [Big Green Book](#) or your departmental internal procedures. Following your procedures ensures that the client's notice of an error/unauthorized EFT is reported to the appropriate department as soon as the clock starts ticking.
- The initial notification from the consumer client can be provided to the Bank in writing or verbally.
- The Bank is required to investigate reports made by the client beyond the 60th calendar day following the mailing of the periodic statement on which the first error or unauthorized EFT appears.
- The Bank may request that the client give written confirmation of an error/unauthorized transfer within 10 business days of the initial verbal notification. Still, the Bank may not delay initiating or completing an investigation pending written confirmation.
- The Bank cannot require a client to submit a police report or to provide additional documentation as a condition of initiating an error resolution investigation.
- The Bank has **10 business days (20 business days for new accounts)** from the initial report to complete the investigation and extend the investigation **up to 45 calendar days (up to 90 business**

days under specific circumstances) if the client is provided provisional credit within the initial **10 business days (20 business days** for new accounts).

- The Bank has **three business days** to notify the consumer client once the investigation is completed and has **one business day** to correct the error, if applicable.

CONTINUE

Knowledge Checks

Knowledge Checks

Review what you have learned by reading the following statements and selecting "True" or "False". The knowledge check is not scored and you will receive immediate feedback.

The clock starts ticking as soon as the client provides notice of the error/unauthorized EFT whether, verbally or in writing.

True

False

SUBMIT



Complete the content above before advancing.

The Bank is **not permitted** to request that the client give written confirmation of an error/unauthorized transaction within 10 business days of the initial verbal notification.

True

False

SUBMIT



Complete the content above before advancing.

The Bank **cannot** require a client to submit a police report or provide additional documentation as a condition of initiating an error resolution investigation.

True

False

SUBMIT



Complete the content above before advancing.

The Bank is **not required** to investigate reports made by the client beyond the sixtieth calendar day following the mailing of the periodic statement on which the first error/unauthorized EFT appears.

True

False

SUBMIT



Complete the content above before advancing.

The Bank may extend the investigation up to 45 calendar days (up to 90 calendar days in specific cases) if the client is provided provisional credit within the initial 10 business days.

True

False

SUBMIT



Complete the content above before advancing.

Promptness in notifying the Bank of an error/unauthorized EFT determines a consumer client's liability.



True



False

SUBMIT



Complete the content above before advancing.

Conclusion

Summary

The **Electronic Funds Transfers Act (EFTA)** implemented through Regulation E is primarily intended to protect individual consumers engaging in electronic fund transfers (EFTs). Regulation E establishes the basic rights, liabilities, and responsibilities for consumers who use EFT services and financial institutions that offer EFT services.

Financial institutions that fail to comply with Regulation E may be subject to enforcement actions from regulators and monetary penalties.

As an employee of the Bank, you must be familiarized with the applicable Bank products and services covered under Regulation E and follow established procedures for resolving EFT related errors and unauthorized transactions.

- ① On December 13, 2021, the Consumer Financial Protection Bureau (CFPB) issued a Compliance Aid with several FAQ providing clarifications relating to transactions, financial institutions, error resolution and unauthorized electronic fund transfers covered under Regulation E. Please review the [Bank Compliance Memo #02-2022](#) which summarizes this Compliance Aid.

THANK YOU FOR COMPLETING THE COURSE!

Lesson 9 of 9

Course Content Complete: Take Exam

**You have now completed the course:
Electronic Funds Transfer and Error Resolution ✓**

Please select **Exit Course** on the top right of this window and return to your Learning Center transcript to complete the separate **Electronic Funds Transfer and Error Resolution exam**.