Exception Handling

Regional Payments Associations, through their Direct Membership in NACHA, are specially recognized and licensed providers of ACH education, publications and support. Regional Payments Associations are directly involved in the NACHA rulemaking process and Accredited ACH Professional (AAP) program. NACHA owns the copyright for the NACHA Operating Rules & Guidelines. The Accredited ACH Professional (AAP) is a service mark of NACHA.

What will you learn?

After this course, you will be able to:

• Identify the components and processes to handle payment exceptions
• Given an exception scenario, identify the type of payment exception and the process, rule and/or regulation required to handle the transaction
• Respond appropriately to common payment exception transactions
Check Exception Terminology

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment</td>
<td>A debit or credit transaction to correct a transaction error</td>
</tr>
<tr>
<td>Exception</td>
<td>Any transaction that requires further investigation before final disposition of the entry can be decided</td>
</tr>
<tr>
<td>Return</td>
<td>A transaction that has been dishonored by a Paying Bank and sent (returned) back to the Depositary Bank (e.g., Bank of First Deposit)</td>
</tr>
</tbody>
</table>

Examples

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Exception</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duplicate item</td>
<td>May appear on non-post report</td>
<td>Insufficient funds</td>
</tr>
<tr>
<td>Encoding error</td>
<td>Missing or invalid account number</td>
<td>Stop payment</td>
</tr>
</tbody>
</table>

All “paper” adjustments are processed through the Federal Reserve Bank of Atlanta.

UCC Return Timeframe

Return back to Bank of First Deposit by 4 PM local time of Depositary Bank on the 2nd business day following day of presentment.

Which means?

24 Hours
How Many Times Can a Check Clear?

No enforcement mechanisms

Customer vs. Administrative

Examples

- Customer Return = NSF or Stop Payment
- Administrative Return = Image Missing or Ineligible Item

Return Reason Codes are addressed within the X9 standard for image exchange

Check Return Reason Codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Customer Reason</th>
<th>Administrative Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Endorsement Missing</td>
<td>Image Missing</td>
</tr>
<tr>
<td>Q</td>
<td>Unauthorized</td>
<td>Ineligible</td>
</tr>
<tr>
<td>3</td>
<td>Warranty Breach</td>
<td>Warranty Breach</td>
</tr>
</tbody>
</table>
### Check Return Reason Codes

#### Most Commonly Used

<table>
<thead>
<tr>
<th>Code</th>
<th>Customer Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>NSF (Not Sufficient Funds)</td>
</tr>
<tr>
<td>C</td>
<td>Stop Payment</td>
</tr>
<tr>
<td>D</td>
<td>Closed Account</td>
</tr>
<tr>
<td>G</td>
<td>Stale Dated</td>
</tr>
<tr>
<td>H</td>
<td>Post Dated</td>
</tr>
</tbody>
</table>

---

#### ONLY Used for Customer Reason

<table>
<thead>
<tr>
<th>Code</th>
<th>Customer Reason</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>Signature(s) Irregular, Suspected Forgery</td>
<td>Used if the signature(s) do not conform to FI's signature cards or corporate resolution; or if the item is a suspected forgery and customer affidavit not available.</td>
</tr>
<tr>
<td>N</td>
<td>Altered/Fictious Item/Suspected Counterfeit/Counterfeit</td>
<td>May be used for any of the reasons listed.</td>
</tr>
<tr>
<td>S</td>
<td>Refer to Maker</td>
<td>Only used when no other code truly applies to a situation. Some states have enacted privacy laws that might dictate the use of this code; if so, only use to meet that legal requirement.</td>
</tr>
<tr>
<td>Z</td>
<td>Forgery – Affidavit shall be available upon request</td>
<td>Used when an item is believed to have a forged or invalid signature(s). Some states require an affidavit be available. If no affidavit is available, the proper code to use is 'L'.</td>
</tr>
</tbody>
</table>

---

#### Used for Customer or Administrative Reason

<table>
<thead>
<tr>
<th>Code</th>
<th>Customer or Administrative Reason</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>T</td>
<td>Item Cannot be Re-presented (Exceeds number of allowed times the item can be presented)</td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td>Duplicate Presentment</td>
<td>Used when a party in the collection process is being asked to pay the item more than once.</td>
</tr>
</tbody>
</table>
**FRB Adjustment Type Codes**

*Most Commonly Used*

<table>
<thead>
<tr>
<th>Adjustment Investigation Type</th>
<th>Description</th>
<th>Reporting Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>LC (Late Return Claim)</td>
<td>Depository institution alleges an item was returned late. Must be $100 or greater.</td>
<td>Within 2 calendar months of the return letter date</td>
</tr>
<tr>
<td>PAID (Paid Item)</td>
<td>When sending a PAID adjustment request, you certify you have received duplicates of the same items from a Reserve Bank. Must be $0.01 or greater.</td>
<td>Within 6 calendar months of the cash/return letter date</td>
</tr>
<tr>
<td>WIC (Warranty Indemnity Claim Associated with an Unauthorized RCC)</td>
<td>Paying institution alleges the RCC was not authorized in the amount stated on the check to the Payee indicated on the check. Must be $25 or greater.</td>
<td>Within 90 calendar days of the cash letter date of the original presentment of the item in dispute</td>
</tr>
</tbody>
</table>

---

**Check Exception Handling Review**

---

**Instructions**

- Work in small groups
- Answer the questions
  1. Would you return or adjust this transaction?
  2. What is your timeframe to return or adjust?
  3. What return reason code or adjustment type code would you use?
  4. Is any documentation required? If so, what?
Duplicate Check

Mary calls the Money Bank on November 3 saying the statement she received in the mail today shows Check #652 for $10.25 cleared her account on October 20 and then again on October 22. What action would your financial institution take in this situation?

1. Would you return or adjust this transaction?

2. What is your timeframe to return or adjust?

3. What return reason code or adjustment type code would you use?

4. Is any documentation required? If so, what?

Online Statement

Chris looks at his statement online every day. He notices that Check #303 posted again last night even though it already posted to his account earlier in the week. What action would your financial institution take in this situation?
Online Statement

1. Would you return or adjust this transaction?
2. What is your timeframe to return or adjust?
3. What return reason code or adjustment type code would you use?
4. Is any documentation required? If so, what?

Forgery

Jenny in the Operations Department receives a returned check for $131.85 today stamped “Forgery.” The check was deposited on October 24 and today’s date is October 29. What should the financial institution do in this situation?

Forgery

1. Would you return or adjust this transaction?
2. What is your timeframe to return or adjust?
3. What return reason code or adjustment type code would you use?
4. Is any documentation required? If so, what?
Insufficient Funds
Check #0559 for $53.45 post to account 478935201 today. This check has tried to clear this account at your institution five times now and each time you return as NSF. What could your institution do in this case?

1. Would you return or adjust this transaction?
2. What is your timeframe to return or adjust?
3. What return reason code or adjustment type code would you use?
4. Is any documentation required? If so, what?

Unauthorized RCC

September 30

Your Bank

Mr. Kent
Mr. Kent calls your institution September 30th stating that he is reviewing his latest account statement and notices a debit hit his account on August 6th for $59.00. After research is done, it appears that this debit was a remotely created check (RCC) that cleared his account. Mr. Kent claims he does not recognize the company name on the RCC, nor does he remember giving authorization to anyone for that dollar amount.

1. Would you return or adjust this transaction?
2. What is your timeframe to return or adjust?
3. What return reason code or adjustment type code would you use?
4. Is any documentation required? If so, what?

© 2015, EPCOR®. All Rights Reserved.

ACH Exception Handling
Receipt of ACH Entries

An RDFI may:
1. Post the entry
2. Manually post the entry and send a Notification of Change (NOC)
3. Return the entry (as long as there is a valid return code)

Notification of Change (NOC)

- Non-monetary entry
- Sent by the RDFI to notify the ODFI of invalid or erroneous information that should be changed
Notification of Change (NOC)

SUBSECTION 3.9.3 RDFI Warranties for Notifications of Change

In addition to the other warranties contained in these Rules, an RDFI that transmits a COR Entry, including a corrected COR Entry, warrants to each ODFF, ACH Operator, and Association that:

(a) the information contained within the COR Entry or corrected COR Entry is correct;

(b) if the change relates to the Receiver's account number, the Receiver has authorized the change, if authorization is required, and the RDFI has complied with any applicable Legal Requirements for such authorization.

RDFI's Right to Return

SECTION 3.8 RDFI's Right to Transmit Return Entries

An RDFI may return an Entry for any reason, except as otherwise provided for in Subsection 3.8.1 (Restrictions on RDFI's Right to Transmit Return Entries). An RDFI must comply with the requirements of Appendix Four (Return Entries) for each Return Entry it initiates.
2 Banking Day Return Timeframe

Debit Entry received by the RDFI, but cannot be posted due to insufficient funds

Debit Entry returned by the RDFI by its ACH Operator’s deposit deadline

Debit Entry made available to the ODFI at opening of business

Most Common 2 Banking Day Return Codes

Account Rejects

<table>
<thead>
<tr>
<th>Return Reason Code</th>
<th>Description</th>
<th>SEC Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>R02</td>
<td>Account Closed</td>
<td>All</td>
</tr>
<tr>
<td>R03</td>
<td>No Account/Unable to Locate Account</td>
<td>All</td>
</tr>
<tr>
<td>R04</td>
<td>Invalid Account Number</td>
<td>All</td>
</tr>
<tr>
<td>R20</td>
<td>Non-Transaction Account</td>
<td>All</td>
</tr>
</tbody>
</table>

Funds Unavailable

<table>
<thead>
<tr>
<th>Return Reason Code</th>
<th>Description</th>
<th>SEC Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>R01</td>
<td>Insufficient Funds</td>
<td>All</td>
</tr>
<tr>
<td>R09</td>
<td>Uncollected Funds</td>
<td>All</td>
</tr>
<tr>
<td>R16</td>
<td>Account Frozen/Entry Returned per OFAC Instruction</td>
<td>All</td>
</tr>
</tbody>
</table>
Most Common 2 Banking Day Return Codes
Stop Payments

<table>
<thead>
<tr>
<th>Return Reason Code</th>
<th>Description</th>
<th>SEC Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>R08</td>
<td>Payment Stopped</td>
<td>All Debits</td>
</tr>
</tbody>
</table>

Non-Consumer Stop Payments

SUBSECTION 3.2.2. R08 Obligation to Stop Payment of Entries to Non-Consumer Accounts

An R08 must honor a stop payment order regarding any debit entry initiated or to be initiated to a Non-Consumer Account that is protected by a Receiver at such time and in such manner as will allow the Receiver a reasonable opportunity to act upon the stop payment order prior to acting on the debit entry. The R08 must comply with a verbal stop payment order only for a period of fourteen calendar days unless the order is confirmed in writing within that fourteen-day period.

Non-Consumer Stop Payments

Effective Period

SUBSECTION 3.2.2.1 Effective Period of Stop Payment Orders

A written stop payment order regarding any debit entry initiated or to be initiated to a Non-Consumer Account will remain in effect until the earlier of:

(a) the withdrawal of the stop payment order by the Receiver;
(b) the return of the debit entry, or;
(c) six months from the date of the stop payment order unless it is renewed in writing.
Consumer Stop Payments

Single Entries

SUBSECTION 3.7.1.2 RFP Obligation to Stop Payment of Single Entries
An RFP must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RFP at such time and in such manner as to allow the RFP a reasonable opportunity to act upon the

Consumer Stop Payments

Recurring Entries

SUBSECTION 3.7.1.1 RFP Obligation to Stop Payment of Recurring Entries
An RFP must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RFP at least three Banking Days before the scheduled date of any debit Entry to a Consumer Account other than a Single Entry. An RFP may in its discretion honor such a stop payment order received within such three banking day period. An RFP shall have no liability or responsibility to any Originator, ODFI, or other Person having any interest in such Entry for honoring a stop payment order in accordance with this subsection.

Consumer Stop Payments

Written Confirmation of Verbal Request

SUBSECTION 3.7.1.3 RFP May Require Written Confirmation of Stop Payment Orders
An RFP may require written confirmation of a verbal stop payment order under this SUBSECTION 3.7.1 within fourteen days of the verbal stop payment order, provided that the RFP notifies the Receiver of this requirement and provides an address to which the written confirmation should be sent at the time the verbal order is provided. If the RFP requires written confirmation, the verbal stop payment order will cease to be binding after fourteen days.
**Consumer Stop Payments**
Written Confirmation of Revoked Authorization

SUBSECTION 3.7.1.3 RDFI May Require Written Confirmation of Stop Payment Orders
An RDFI may require written confirmation of a verbal stop payment order under this Subsection 3.7.1 within fourteen days of the verbal stop payment order, provided that the RDFI notifies the Receiver of this requirement and provides an address to which the written confirmation should be sent at the time the verbal order is provided. If the RDFI requires written confirmation, the verbal order given on all draft orders shall be accompanied by a written confirmation of the order, which must be issued by the RDFI on or before the next business day after receipt of the verbal order.

For an order to stop all future payments relating to a specific authorization involving a specific Originator, an RDFI may require a Receiver to confirm in writing that the Receiver has revoked the authorization given to the Originator.

---

**Effective Period**

SUBSECTION 3.7.1.4 Effective Period of Stop Payment Orders
A stop payment order will remain in effect until the earlier of:

(a) the withdrawal of the stop payment order by the Receiver; or

(b) the return of the debit Entry, or, where a stop payment order applies to more than one debit Entry relating to a specific authorization involving a specific Originator, the return of all such debit Entries.

---

**Non-Consumer Returns**
CCD &CTX Entries

<table>
<thead>
<tr>
<th>Return Reason Code</th>
<th>Description</th>
<th>Return Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>R29</td>
<td>Corporate Customer Advises</td>
<td>2 banking days</td>
</tr>
<tr>
<td></td>
<td>Not Authorized</td>
<td></td>
</tr>
<tr>
<td>R31</td>
<td>Permissible Return Entry</td>
<td>Undefined</td>
</tr>
</tbody>
</table>

---
**ACH 2-Day Exception Handling Review**

**Instructions**
- Work in small groups
- Read scenarios and decide if you would:
  - Post entry and send NOC
  - Return entry
- If you return the entry, provide the:
  - Return reason code
  - Documentation needed

**Direct Deposit**

You notice that a direct deposit came into Cindy's account today for $2,650, which is an unusually large deposit for her. After doing further research, you find the entry came in with Cindy's account number on it, but the Receiver's name in the entry is Bruce Watkins.

What would your institution do in this situation?
Direct Deposit

1. Would your institution post the entry or return the transaction?

2. If you decide to return, what return reason code would you use?

3. Would your institution require the account holder to provide any documentation?

Invalid Account Number

Mandy in the bookkeeping department receives the ACH exception report each morning. Today she has an $87 debit item on the report for Charles Walker with an account number of 1234560559. Checking account numbers are only six digits. Mandy finds that Charles has a checking account; however, his account number is 123456.

What could your institution do in this situation?

Invalid Transaction Code

1. Would your institution return the item or post to the checking account?

2. If you decide to return, what return reason code would you use?

3. Would your institution require the account holder to provide any documentation?
Stop Payment

John calls your institution stating that he noticed through online banking that he has an ACH debit “pending” for $55 from Sports Unlimited. He explains that he revoked his authorization with this company over a month ago and wants to stop payment on this transaction as well as any other transactions attempting to post in the future.

What would your institution do in this situation?

Stop Payment

1. Does your institution believe it received timely notice to return the “pending” transaction?

2. What type of stop payment should be placed on the account?

3. What return reason code should be used to return the transaction?

4. Would your institution require the account holder to provide any documentation?
Extended Returns
60 Calendar Days

• Transaction has posted to an account and Receiver is disputing
• Written Statement of Unauthorized Debit is required

Written Statements
Unauthorized Debit

SECTION 3.12 Written Statement of Unauthorized Debit

SUBSECTION 3.12.1 Unauthorized Debt Entry

For purposes of this Section 3.12, a debit Entry was not authorized by the Receiver if:

(a) the authorization requirements of Section 3.5 Authorization and Notice of Entries were not met;
(b) the debit Entry was initiated in an amount different than that authorized by the Receiver; or
(c) the debit Entry was initiated for different authorizers than authorized by the Receiver.

An unauthorized debit Entry does not include a debit Entry initiated with fraudulent intent by the Receiver or any person acting in concert with the Receiver.

Written Statements
Improper Debit

SUBSECTION 3.12.2 Improper ARC, BOC, POP and RDK Debit Entries

For purposes of this Section 3.12, a debit Entry was improper if it was:

(a) an ARC, BOC or POP Entry for which:
   (i) the source document used for the Entry was not an Eligible Source Document; or
   (ii) the Check that was used as a source document for the Entry was paid by the RDK;
Written Statements

- Receiver’s printed name and signature
- Account number
- Identity of party sending debit
- Date entry posted
- Dollar amount
- Reason for return
- Date of signature
- Assertion information on the form is correct and signed by an authorized signer on the account

Written Statement Retention

- RDFI must retain a copy for 1 year after the Settlement Date of the extended return entry
- RDFI must provide a copy of the WSUD within 10 banking days upon receipt of the ODFI’s written request

Extended Return Codes

60 Calendar Days

RO5

Unauthorized Debit to Consumer Account Using Corporate SEC Code

- CCD or CTX debit entry posted to a consumer account that was not authorized by the Receiver
Extended Return Codes
60 Calendar Days

Authorization Revoked by Customer

- Receiver of a consumer debit did authorize this transaction at one time, but has contacted the Originator to rescind that authorization
  - May not be used with ARC, BOC, POP or RCK entries

Customes Advises Unauthorized, Improper, Ineligible, or Part of an Incomplete Transaction

- Used when:
  - Receiver claims he/she never authorized the transaction
  - Authorization was not clear and readily understandable
  - Transaction for an amount different than authorized
  - Transaction occurred earlier than date authorized
  - Incomplete transaction
  - Improperly reinitiated debit entry (Effective September 18, 2015)

Source Document Presented for Payment

- Source document to which an ARC, BOC or POP entry relates has been presented for payment
Extended Return Codes
60 Calendar Days

RCK Returns

- R51: Item related to RCK entry is ineligible or RCK entry is improper
- R53: Item and RCK entry presented for payment

Return Process

- ODFI may dishonor a return
  - Must be sent within 5 banking days of the Settlement Date of the return entry
- RDFI may contest a dishonored return
  - Must be sent within 2 banking days of the Settlement Date of the dishonored return entry

ACH Extended Return Exception Handling Review
Instructions

- Work in small groups
- Read scenarios and decide how you would return the entry
- Provide the:
  - Return reason code
  - Timeframe
  - Documentation needed

Authorized vs. Posted Amount

An account holder calls your institution on July 31 claiming the statement he just received via online banking has an ACH debit that posted on July 1 for an amount different than what he authorized it for.

What can your institution do to help?

Authorized vs. Posted Amount

1. What action(s) should be taken?
2. If returning, what return reason code should be used and what is the timeframe?
3. Is any documentation required?
**Debit to Consumer Account Using Corporate SEC Code**

An account holder calls stating that a debit transaction posted to his account 5 days ago for $765, which he did not authorize. After researching, it is determined that the transaction posted with an SEC code of CCD.

How should the institution handle this situation?

---

**Debit to Consumer Account Using Corporate SEC**

1. What action(s) should be taken?

2. If returning, what return reason code should be used and what is the timeframe?

3. Is any documentation required?

---

**Incomplete Transaction**

An account holder comes into the financial institution and claims she was debited for her electric bill; however, the electric company says they never received the payment. Now, they are threatening to shut off her power.

What would your financial institution do in this instance?
**Incomplete Transaction**

1. What action(s) should be taken?
2. If returning, what return reason code should be used and what is the timeframe?
3. Is any documentation required?

**Revoked Authorization**

An account holder comes in and explains that she revoked her authorization with ABC Company, but they continue to debit her account each month via ACH.

What could your institution do to help this account holder?
Goods and Services

Sam purchased an item online utilizing an ACH payment method on June 1. On July 1 he calls your institution to report that he has not received the item yet.

How would your institution handle this call?

1. What action(s) should be taken?
2. If returning, what return reason code should be used and what is the timeframe?
3. Is any documentation required?

Card Exception Handling
Regulation E

Provides framework for:
1. Rights
2. Liabilities
3. Responsibilities

Common Card Errors/Exceptions

Regulation E
• Unauthorized EFT
• Incorrect EFT
• Omission from a periodic statement
• Computation error
• Consumer receipt of incorrect amount from ATM
• Improperly identified EFT
• Account closed
• Account NSF

Consumer's Regulation E Liability
• $50
  ✔ Notice provided within 2 business days
• Up to $500
  ✔ Notice not provided within 2 business days
• Unlimited liability
  ✔ Notice provided over 60 days from receipt of statement
What is the Cardholder's Potential Liability Per Regulation E?

Scenario #1

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Stolen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$75 ATM WD</td>
<td>$25 POS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How much is the Cardholder liable for? _______

---

Scenario #2

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Stolen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$75 ATM WD</td>
<td>$150 POS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How much is the Cardholder liable for? _______

---

Scenario #3

<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Lost</td>
<td>Customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learns of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Theft</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$150 ATM WD</td>
<td>$75 POS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How much is the Cardholder liable for? _______

---

Scenario #4

<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Stolen</td>
<td>Customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learns of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Theft</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$100 ATM WD</td>
<td>$500 POS</td>
<td>$250 POS</td>
<td>$150 ATM WD</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How much is the Cardholder liable for? _______

---

Consumer Liability

Consumer's potential liability may be less under Card Network rules or your institution's policies and procedures than Regulation E.
Notice

- Floor requirements prescribed by Regulation E
- State Law and/or institution policy may reduce timeframes

§1005.6(b)(1)
If the consumer notifies the financial institution 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 financial institution.

Written Confirmation of Error

§1005.11(b)(2)
- Affidavits / WSUD
- Police reports

Investigation Action Plan

- Close card and begin investigation
- Determine if an error actually occurred
  - Not effective for POS transactions
  - Effective if unauthorized claim is an ATM transaction
- Provide provisional credit
- Send final outcome letter
- Determine reissuance of card
Statement Availability

A consumer must report an unauthorized electronic fund transfer that appears on a periodic statement within 60 days of the financial institution’s transmittal of the statement to limit liability for subsequent transfers.

Provisional Credit

- Provisional credit within 10 days of notice
- Domestic ATM disputes = 45 calendar days
- All card POS & international ATM disputes = 90 calendar days
- New Accounts = 20 days if error occurs within 30 days after the first deposit
- No provisional credit required if the consumer did not give written confirmation of an oral notice of error

Consumer Notification

- Provisional credit notice – 2 business days
- Error correction notice – 1 business day
- Results of investigation – 3 business days
- Final credit letter
Documentation

- Conversations
  - Account holders
  - Others with evidence/information on investigation
- Evidence collected
  - Where and when did you get it?
  - How did you secure it?
  - What is it?
  - What relevance does it bear on the investigation?

Common Reasons to Deny a Claim

- Failure to secure/protect access device
- Failure to notify the institution that an authorized user’s access was revoked
- Find account holder benefited from the transaction
- Prove Cardholder authorized transaction

Provisional Credit Revoked

Notice

- Date and amount of the debit
- Items paid for 5 Business Days
- Items paid only if provisional credit funds would cover
Instructions

- Work in small groups
- Read scenarios and decide:
  - Timeframe
  - Documentation
  - Liability
  - Provisional credit
  - What your institution would do

Gym Membership

I canceled my gym membership on June 1, but they charged my account again on July 25 via the debit card information I provided initially.

What could your financial institution do?
Gym Membership

1. Would your institution start an investigation for this account holder?

2. What documentation should be obtained?

3. What is the institution’s liability?

4. Should provisional credit be given and when?

Ordered Car Part

I ordered a part for my car via the Internet last week and my account was debited. The scheduled delivery date was yesterday. As of today, I have not received the part for my car.

What could a financial institution do in this situation?

Ordered Car Part

1. What is the timeframe in which transactions can be disputed?

2. What documentation should be obtained?

3. What is the institution’s liability?

4. Should provisional credit be given and when?
Overdrawn Account

A Cardholder contacts your institution stating his account is overdrawn, and he doesn’t know why. While reviewing his statement, he noticed several transactions totaling $2,000 hit his account from Roullette.com. Your institution requests a copy of the authorization as part of its investigation. The company can produce an authorization tying your account holder to the transactions.

What should the institution do in this case?

1. Should the institution open an investigation for this account holder?
2. What steps should be taken once proof of authorization can be determined?

Lost Card

A Cardholder contacts you to report he lost his card at a restaurant last night. Your institution shuts the card down and orders him a new one. Two days later, the same Cardholder contacts you stating his card was found left on the table by another patron and has been returned. He would like you to reopen his card and cancel the new card order.

How would your institution handle this situation?
Lost Card

1. Should the institution open an investigation for this account holder?
2. Would your institution reopen the card?
3. Why or Why Not?

Card Not Working

A Cardholder contacts you to report his card is not working. While reviewing the account, you notice two transactions posted to his account yesterday within 30 minutes of one another; one from a local appliance store and one from a pizza joint. The Cardholder explains that he gave his cousin his card to go pick up some pizza for the Super Bowl, but he didn’t authorize the TV purchase.

What can be done in this situation?

Card Not Working

During your investigation, you call the appliance store. They tell you that the Cardholder did purchase a TV. They remember he was in a big hurry. In this case, who would be liable for the appliance store transaction?
Who is Liable for the Transaction?

Cardholder

Cousin

Financial Institution

Wire Exception Handling

Wire Availability

• UCC 4A allows institutions to set their “funds transfer day”
  • Allows institutions to establish their own operating hours for processing funds transfers
  • Domestic wires clear quickly
  • International wires may take some time
Wire Transfer Key Points

- Wire transfers are guaranteed funds
- Wire transfers are irreversible once sent
- Regulation E, Subpart B only applies to consumer initiated international wire transactions

Invalid Account Number

The Operations Department received a wire transfer today for Holly Hobby, account 123456. However, that account number does not exist at the institution.

What could your institution do in this scenario?

Invalid Account Number

What would you do?
Where’s the Wire?

Bill just sold his house. The closing agent calls Bill at 4 PM to tell him the proceeds have been wired to his account. Bill checks his account online at 6 PM, and the wired funds have not posted. He calls his financial institution at 8 AM the next morning wondering why the funds are still not there.

Where’s the Wire?

The funds are guaranteed, so why would they not be in Bill’s account?