

**Consumer Liability for Unauthorized Transfers:
Electronic Fund Transfer Act—Regulation E (12 CFR 205.6)**

Event	Timing of consumer notification of bank	Maximum liability
Loss or theft of access device ¹	Within two business days after learning of loss or theft.	Lesser of \$50, OR total amount of unauthorized transfers.
Loss or theft of access device	More than two business days after learning of loss or theft.	Lesser of \$500, OR the sum of: (a) \$50 or the total amount of unauthorized transfers occurring in the first two business days, whichever is less, AND (b) the amount of unauthorized transfers occurring after two business days and before notice to the institution. ²
Loss or theft of access device	More than 60 calendar days after transmittal of statement showing first unauthorized transfer made with access device.	For transfers occurring within the 60-day period, the lesser of \$500, OR the sum of: (a) lesser of \$50 or the amount of unauthorized transfers in first two business days, AND (b) the amount of unauthorized transfers occurring after two business days. For transfers occurring after the 60-day period, unlimited liability (until the institution is notified). ³
Unauthorized transfer(s) appearing on periodic statement (no use of access device)	Within 60 calendar days after transmittal of the periodic statement.	No liability.
Unauthorized transfer(s) appearing on periodic statement (no use of access device)	More than 60 calendar days after transmittal of the periodic statement showing first unauthorized transfer.	Unlimited liability for unauthorized transfers occurring 60 calendar days after the periodic statement and before notice to the institution.

¹ Includes a personal identification number (PIN) if used without a card in a telephone transaction, for example.

² Provided the financial institution demonstrates that these transfers would not have occurred had notice been given within the two-business-day period.

³ Provided the financial institution demonstrates that these transfers would not have occurred had notice been given within the 60-day period.

Section 205.6(b)(4) states that if a consumer's delay in notifying an institution was due to extenuating circumstances, such as extended travel or hospitalization, the time periods for notification specified above shall be extended to a reasonable time. Also, Section 205.6(b)(6) provides that if any lesser liability limits are imposed by applicable state law or by an agreement with the consumer, those limits shall apply instead of the limits set by this section.

These liability provisions apply to unauthorized EFTs initiated by a combined access device-credit card, including an access device with overdraft privileges. These provisions do not apply to the unauthorized use of a combined access device-credit card when no EFTs are involved (for example, when the card is used to draw cash advances directly from a credit line).

VI. Deposits — EFTA

Notice to an institution about unauthorized use is considered given when the consumer takes whatever steps are reasonably necessary to provide the institution with the pertinent information, whether or not a particular employee actually receives the information. At the consumer's option, notice may be given in person, by telephone, or in writing. Notice in writing is considered given at the time the consumer deposits the notice in the mail or delivers the notice for transmission by any other usual means to the institution. Notice may also be considered given when the institution becomes aware of circumstances that indicate an unauthorized transfer has been or may be made.

Initial Disclosure of Terms and Conditions – §205.7

The institution must provide the consumer with the following disclosures, in written, retainable form, before the first EFT is made or at the time the consumer contracts for an EFT service:

- a summary of the consumer's liability under Section 205.6 or other applicable law or agreement;
- the telephone number and address of the person or office to notify in the event of loss or unauthorized use;
- the institution's business days;
- types of EFTs the consumer may make and any limitations on the frequency and dollar amount of transfers (the details of the limitations may be withheld if the security of the system requires confidentiality);
- any charges for EFTs or for the right to make EFTs;
- a summary of the consumer's right to receive documentation of EFTs as provided in Sections 205.9, 205.10(a) and 205.10(d);
- a summary of the consumer's right to stop payment of a preauthorized EFT and the procedure for initiating a stop-payment order;
- a summary of the institution's liability for its failure to make or stop certain transfers;
- the circumstances under which the institution in the ordinary course of business will disclose information concerning the consumer's account to third parties; and
- a notice which is substantially similar to the notice in Appendix A of 12 CFR 205 concerning error resolution procedures and the consumer's rights under them.

Change in Terms; Error Resolution Notice – §205.8

If a change in terms is contemplated, the institution must mail or deliver a written notice to the consumer at least 21 days before the effective date of any change in a term or condition required to be disclosed under § 205.7(b) if the change would result in any of the following:

- increased fees or charges;
- increased liability for the consumer;
- fewer types of available EFTs; or
- stricter limitations on the frequency or dollar amounts of transfers.

If an immediate change in terms or conditions is necessary to maintain or restore the security of an EFT system or account, prior notice need not be given by the institution. However, if such a change is to be permanent, the institution must provide written notice of the change to the consumer on or with the next regularly scheduled periodic statement or within 30 days, unless disclosures would jeopardize the security of the system or account.

For accounts to or from which EFTs can be made, an error resolution notice (as set forth in 12 CFR 205 Appendix A – Model Form A-3) must be mailed or delivered to the consumer at least once each calendar year. Alternatively, an abbreviated error resolution notice substantially similar to the notice set out in Appendix A (Model Form A-3) may be included with each periodic statement.

Documentation of Transfers – §205.9

Receipts given at electronic terminals are required to provide specific documentation. The receipt must be made available at the time the transfer is initiated at an electronic terminal and must include, as applicable:

- amount of the transfer – a charge for making the transfer may be included in the amount if the terminal is owned or operated by an entity other than the institution that holds the consumer's account, provided the charge is disclosed on the receipt and on a sign posted on or at the terminal;
- date – the date the consumer initiates the transfer;
- type of transfer and type of account – descriptions such as “withdrawal from checking” or “transfer from savings to checking” are appropriate. This is true even if the accounts are only similar in function to a checking account (such as a share draft or NOW account) or a savings account (such as a share account). If the access device used can only access one account, the type-of-account requirement does not apply;
- a number or code identifying the consumer's account(s), or the access device used to initiate the transfer. The number and code need not exceed four digits or letters to comply;
- location of the terminal – the location where the transfer is initiated may be given in the form of a code or terminal number; and
- the name of any third party to or from whom funds are transferred – a code may be used to identify the party, but only if the code is explained on the receipt. This