Four Bank Mistakes That Lead to Regulation E Losses

The growth of electronic transactions and identity theft is making Banks rethink back office automation for dispute tracking. Regulation E requires banks to be consistent in dispute management, which is much easier with an effective, end-to-end solution.

FINBOA
Financial Back Office Automation

As the volume of debit card payment transactions rises (CAGR of 10.4% according to the Federal Reserve study in 2018) so does identity theft and fraud, ultimately increasing electronic funds transfer dispute claims by consumers. This is putting pressure on banks to take a step back and examine the way they are processing disputes and managing the regulatory requirements around them or risk the potential for major losses as a result of fines or mismanagement of claims. Understanding where some of the most common mistakes are being made can help keep you and your bank out of hot water and minimize financial losses at the same time.

Requirements for Regulation E are complex and require a careful analysis of claims using the correct rules to minimize bank losses. In addition, each claim requires a tedious step-by-step resolution process that can vary depending upon the circumstances, and even a small misunderstanding of the rules can lead to confusion and result in higher bank losses and an increase in regulatory deficiencies.

To help avoid these concerns, here are four common errors made today by banks, some of which are simply due to inconsistencies in claim management.

"From taking up to an hour to do manual paperwork, I now finish everything in a minute or two and send it to my customer. We now have more success in getting customers to sign online, and in a timely manner."

– Jessica Quick, Security First Bank

Using an incorrect "reported date" when calculating deadlines.

Often paper forms are used rather than automated electronic processes, causing banks to miss capturing the correct "reported date" of a claim. Paper forms can then sit with retail staff for multiple days until it is submitted for processing. Delays cause banks to miss the provisional credit deadline resulting in a Reg E deficiency.

Incorrect claim denials.

Banks routinely deny claims that are over 60 days old. However, Reg E rules require banks to treat disputes like they just happened and calculate 60 days from statement of the first transaction. Incorrect denials may result in the consumers getting paid less than what they are due under Regulation E raising a regulatory deficiency.

Incorrect account adjustments.

Manual processing of account adjustments requires rekeying data from paper forms to spreadsheets and performing calculations to determine the adjustment amounts. This amount is then entered into the institutions core banking system manually. Typos during rekeying can result in a bad customer experience impacting the banks credibility with their customers.

Dispute not processed while waiting for a customer signature.

Financial institutions may require customers to sign before issuing provisional credit. However, in recent findings, some auditors reported that banks waited to start the investigative process until after the customer signed, resulting in a missed Reg E Provisional Credit deadline.

These errors can be reduced by having compliance officers manually review all the claims; however, this is time consuming and expensive.

HOW CAN FINBOA HELP

FINBOA's end-to-end process automation is optimized for Reg E. Eliminate the need to use multiple systems requiring manual steps that cause regulatory deficiencies. Banks using our automation tools, report they can do in minutes what used to take them hours making compliance easy.

For more information on FINBOA, go to **www.finboa.com** or call **281.503.1233**