

Your Regulation E Processes Need to Keep Pace With Rising Fraudulent Activity

Growing electronic transactions and identity theft is making banks rethink back office automation for dispute tracking. Regulation E rules require banks to be consistent in dispute management, which is hard to do with systems that require manual steps to stay compliant.



Regulation E is a CFPB rule around Electronic Funds Transfer dispute resolution between financial institutions and consumers. In the Fall edition of the CFPB's 2014 Supervisory Highlights publication, violations of the error resolution requirements prescribed by Regulation E were expressly addressed.

Financial institutions were cited for placing more stringent requirements on consumers than what is permitted by the regulation, which resulted in missed timeframes, wrongfully denying

claims, and in some cases, both. These same violations were reiterated in the 2017 Summer edition of this same publication.

With growing regulatory requirements, Financial Institutions need to automate their back offices to avoid regulatory deficiencies, increased customer frustration, and time consuming and expensive oversight. Below are three direct impacts the increasing regulations are taking on financial institutions and driving the need to automate.

Financial institutions were most commonly cited for two items resulting in missed timelines and incorrectly denying claims:

1. Waiting to begin the investigation for various reasons.

2. Informing customers that they must contact the merchant before a claim can be submitted.

In 2020 fraudulent activity is predicted to increase again. Violations such as those cited by CFPB often stem from rules that pertain to the chargeback process, which are set forth by NACHA (for ACH) and the various card networks. Unfortunately, whether an institution can recover funds from the originating depository financial institution (ODFI) has no impact on a consumer's liability.

Banks that use manual processes or technologies that require manual steps to stay compliant report approximately about an hour per dispute for resolution. By automating dispute resolutions banks have gained over 90% reduction in time to resolve disputes.

As fraudulent activity continues to rise, it is important that financial institutions take stock of critical error resolution procedures and consider a Dispute Tracking System to gain efficiency in getting the information needed from customers to process the chargeback.

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

– Jessica Quick, Security First

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