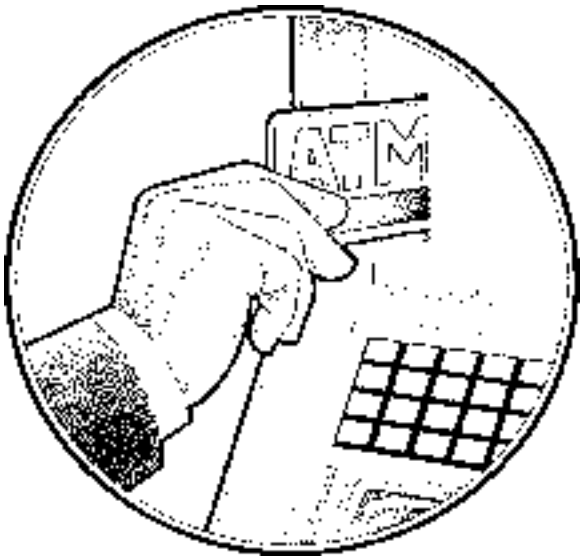
Facts for Consumers

Credit

Electronic Banking



Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer & Business Education
(202) FTC-HELP **www.ftc.gov**

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To most people, electronic banking means 24-hour access to cash through an automated teller machine (ATM) or paychecks deposited directly into checking or savings accounts.

Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. EFTs are initiated through devices such as cards or codes that you use to gain access to your account. Many financial institutions use an automated teller machine (ATM) card and a personal identification number (PIN) for this purpose. The federal Electronic Fund Transfer Act (EFT Act) covers some consumer transactions.

Electronic Fund Transfers

EFT offers several services that consumers may find practical:

- *Automated Teller Machines or 24-hour Tellers* are electronic terminals that let you bank almost any time. To withdraw cash, make deposits, or transfer funds between accounts, you generally insert an ATM card and enter your personal identification number (PIN). Some ATMs impose a surcharge, or usage fee, on consumers who are not members of their institution or on transactions at remote locations. ATMs must disclose the *existence* of a surcharge on the terminal screen or on a sign next to the screen. Check the rules of your institution to find out when or whether a surcharge is imposed.

- *Direct Deposit* lets you authorize specific deposits, such as paychecks and social security checks, to your account on a regular basis. You also may pre-authorize direct withdrawals so that recurring bills, such as insurance premiums, mortgages, and utility bills, are paid automatically.

- *Pay-by-Phone Systems* let you telephone your financial institution with instructions to pay certain bills or to transfer funds between accounts. You must have an agreement in advance with the institution to make such transfers.

- *Personal Computer Banking* allows you to conduct many banking transactions electronically via your personal computer. For instance, you may use your computer to view your account balance, request transfers between accounts, and pay bills electronically.

- *Point-of-Sale Transfers* allow you to pay for retail purchases with an EFT (or "debit") card. In some instances, this card also may be your ATM card. This is similar to using a credit card, but with one important exception: the money for the purchase is transferred immediately — or very shortly — from your bank account to the store's account. An increasing number of merchants are accepting this type of payment.

Some financial institutions and merchants issue cards that contain cash value stored electronically on the card itself. These "stored-value" cards, as well as transactions using them, may not be covered by the EFT Act, which means you may not be covered for loss or misuse of the stored-value card.

Disclosures

To understand your legal rights and responsibilities regarding your EFT account, read the documents you receive from the financial institution that issued you the "access device" — that is, the card, code, other means, or combination of ways you access your account to initiate electronic fund transfers. Although this varies from institution to institution, most use a card and PIN. No one should know this unique number except you and select employees of the financial institution.

Before you contract for EFT services or make your first electronic transfer, the institution must tell you the following information in a form you can keep.

- A summary of your liability for unauthorized transfers.
- The telephone number and address of the person to be notified if you think an unauthorized transfer has been or may be made, a statement of the institution's "business days," generally, the days the institution is open to the public for normal business, and the number of days you have to report suspected unauthorized transfers.
- The type of transfers you can make, fees for transfers, and any limits on the frequency and dollar amount of transfers.
- A summary of your right to receive documentation of transfers, to stop payment on a pre-authorized transfer, and the procedures to follow to stop payment.
- A notice describing the procedures you must follow to report an error on a receipt for an EFT or your periodic statement, to request more information about a transfer listed on your statement, and how long you have to make your report.
- A summary of the institution's liability to you if it fails to make or stop certain transactions.
- Circumstances under which the institution will disclose information to third parties concerning your account.

In addition to these disclosures, you will receive two other types of important information for most transactions — terminal receipts and periodic statements. Separate rules apply to passbook accounts from which pre-authorized transfers are drawn. The best source of information about those rules is your contract for that account. You are entitled to a terminal receipt each time you initiate an electronic transfer, whether you use an ATM or make a point-of-sale electronic transfer. The receipt must show the amount and date of the transfer, as well as the type of transfer, such as "from savings to checking." When you make a point-of-sale transfer, you probably will get your terminal receipt from the salesperson.

You will not receive a terminal receipt for recurring electronic payments that you have authorized in advance, such as insurance premiums, mortgages, or utility bills. Instead, these preauthorized transfers will appear on your periodic statement. If the preauthorized payments vary, however, you should receive a notice of the amount that will be debited at least 10 days before the debit takes place.

You also are entitled to a periodic statement for each statement cycle in which an electronic transfer is made. This statement must show the amount of any transfer, the date it was credited or debited to your account, the type of transfer and type of account(s) to or from which funds were transferred, and the address and telephone number to be used for inquiries. You are entitled to a quarterly statement even if no electronic transfers were made.

Keep and compare your EFT receipts with your periodic statements the same way you compare your credit card invoices with your monthly credit card statement or your checks against your monthly bank statements. This will enable you to make the best use of your rights under federal law to dispute errors and avoid liability for unauthorized transfers.

Errors

You have 60 days from the date a problem or error appears on your periodic statements or terminal receipt to notify your financial institution. The best way to protect yourself in the event of an error — or a lost or stolen ATM or EFT card — is to notify the issuer by certified letter, return receipt requested, so you can prove that the institution received your letter. Keep a copy of the letter you send for your records.

If you fail to notify the institution of the error within 60 days, you may have little recourse. Under federal law, the institution has no obligation to conduct an investigation if you have missed the 60-day deadline.

After notification about an error on your statement, the institution has 10 business days to investigate. The financial institution must tell you the results of its investigation within three business days after completing it and must

correct an error within one business day after determining that the error has occurred. If the institution needs more time, it may take up to 45 days to complete the investigation — but only if the money in dispute is returned to your account and you are notified promptly of the credit. At the end of the investigation, if no error has been found, the institution may take the money back if it sends you a written explanation.

An error also may occur in connection with a point-of-sale purchase with an EFT card. An oil company, for example, might give you an EFT card that lets you pay for gasoline purchases directly from your bank account. These purchases will be shown on your periodic statement from the bank. In case of an error on your account, however, you should contact the issuer of the card (for example, the oil company) at the address or phone number the company has provided. After you've notified the company about a point-of-sale purchase error, the company has 20 business days to investigate and tell you the results. It has up to 90 days to complete an investigation, if it returns the money to your account and notifies you promptly of the credit. If no error is found at the end of the investigation, the institution may take back the money if it sends you a written explanation.

Lost or Stolen EFT Cards

If your *credit* card is lost or stolen, you can't lose more than $50. If someone uses your ATM or EFT card without your permission, you can lose *much more*.

If you report an ATM or EFT card missing before it is used without your permission, the

EFT Act says the card issuer cannot hold you responsible for any unauthorized withdrawals. If unauthorized use occurs before you report it, the amount you can be held responsible for depends upon how quickly you report the loss to the card issuer. If you report the loss within two business days after you realize your card is missing, you will not be responsible for more than $50 for unauthorized use.

However, if you do not report the loss within two business days after you realize the card is missing, but you do report its loss within 60 days after your statement is mailed to you, you could lose as much as $500 because of an unauthorized withdrawal. And, if you do not report an unauthorized transfer or withdrawal within 60 days after your statement is mailed to you, you risk unlimited loss. That means you could lose all the money in your account and the unused portion of your maximum line of credit established for overdrafts.

If you didn't notify the institution within the time periods allowed because of an extenuating circumstance, such as lengthy travel or illness, the issuer must extend the time period for notification to what is reasonable. In addition, if state law or your contract imposes lower liability limits, those lower limits apply instead of the limits in the federal EFT Act.

After you report the loss or theft of your ATM card, you are not liable for additional unauthorized transfers that may be made. Because these unauthorized transfers may appear on your statements, however, you should carefully review each statement you receive after you've reported the loss or theft. If the statement shows transfers that you did not make or that you need more information about,

contact the institution immediately, using the special procedures provided for reporting errors.

Limited Stop-Payment Privileges

When you use an electronic fund transfer, the EFT Act does not give you the right to stop payment. If your purchase is defective or your order is not delivered, it is as if you had paid cash. That is, it is up to you to resolve the problem with the seller and get your money back.

There is one situation, however, when you can stop payment. If you have arranged regular payments out of your account to third parties, such as life insurance companies, you can stop payment if you notify your institution at least three business days before the scheduled transfer. The notice may be oral or written, but the institution may require a written follow-up to be made within 14 days of the oral notice. If you fail to provide the written follow-up, the institution's responsibility to stop payment ends.

Although federal law provides only limited rights to stop payment, individual financial institutions may offer more rights or state laws may require them. If this feature is important to you, you may want to shop around to be sure you are getting the best "stop payment" terms available.

Other Rights

The EFT Act protects your right of choice in two specific situations regarding use of electronic fund transfers: First, the Act prohibits financial institutions from requiring you to repay a loan by electronic transfer. Second, if you are required to receive your salary or

government benefit check by EFT, you have the right to choose the institution to receive the funds.

Suggestions

If you decide to use EFT, keep these tips in mind:

- Take care of your EFT card. Know where it is at all times; if you lose it, report it as soon as possible.

- Choose a PIN different from your address, telephone number, social security number, or birthdate. Choosing a different number will make it more difficult for a thief to use your EFT card.

- Keep and compare your EFT receipts with your periodic statements so that you can find errors or unauthorized transfers and report them.

- Make sure you know and trust the merchant before you provide any bank account information to pre-authorize debits to your account.

Where to File Complaints

If you think a financial institution or merchant has failed to fulfill its responsibilities to you under the EFT Act, speak up. In addition, you may wish to complain to the federal agency listed below that has enforcement jurisdiction over that company.

State Member Banks of the Federal Reserve System
Consumer and Community Affairs
Board of Governors of the Federal Reserve System
20th & C Sts., N.W., Mail Stop 800
Washington, D.C. 20551

National Banks
Office of the Comptroller of the Currency
Compliance Management
Mail Stop 7-5
Washington, D.C. 20219

Federal Credit Unions
National Credit Union Administration
1776 G St., N.W.
Washington, D.C. 20456

Non-Member Federally Insured Banks
Office of Consumer Programs
Federal Deposit Insurance Corporation
550 Seventeenth St., N.W.
Washington, D.C. 20429

Federally Insured Savings and Loans, and Federally Chartered State Banks
Consumer Affairs Program
Office of Thrift Supervision
1700 G St., N.W.
Washington, D.C. 20552

Other Credit, Debit, or ATM Card Issuers (includes retail/gasoline companies)
Consumer Response Center
Federal Trade Commission
Washington, D.C. 20580