

# Dispute Management System Buyer's Guide

**FIntegrate**  
TECHNOLOGY

Including a Reg E Compliance Quick Reference Guide

## The Regulatory Reality

Regulation E has become one of the most frequent sources of supervisory findings across community banks and credit unions. With the rise of mobile banking, P2P transfers, FedNow instant payments, and more complex ACH patterns, examiners expect institutions to demonstrate timely investigations, accurate documentation, and consistent handling of all error claims—whether or not the dispute ultimately results in consumer liability.

A modern Dispute Management System (DMS) is no longer optional. In recent supervisory findings, Reg E violations have been cited more frequently than overdraft, collections, or fair lending violations. A DMS is a compliance safeguard, audit tool, operational efficiency driver, and an essential component of the institution's risk-management framework.

### COMPLIANCE PRESSURE

\$19.7 billion consumer relief

\$5 billion in civil money penalties

## Common Reg E Violations

Examiners frequently cite institutions for:

- Inconsistent or missing documentation during the investigation
- Failure to log oral notices of error promptly
- Failure to treat oral notice as an official Reg E error claim (which starts the clock)
- Automatically assigning liability to members/customers without investigation
- Failing to determine whether a transaction was "unauthorized" under §1005.2
- Not providing full use of provisional credit
- Requiring documentation before starting the investigation
- Incorrectly classifying a claim as a merchant dispute instead of an error under Reg E

*Regulators have stated that documentation failures - missing steps, inconsistent files, or insufficient evidence - are the root cause of most exam findings.*

## The Most Common Misclassification Errors

Regulators specifically warn that institutions often misclassify disputes, leading to improper handling. The most common errors include:

- Treating a P2P/ACH fraud event as a merchant dispute rather than an unauthorized EFT
- Treating a card dispute as a billing error under Reg Z instead of Reg E
- Treating a fraud event as “customer/member negligence” and denying without investigation
- Treating a scam as “authorized” without evaluating whether it meets the Reg E definition

## Recent Reg E Citations

— “  
“In one recent FDIC exam, a bank was cited for requiring consumers to submit a police report before beginning an investigation — resulting in required restitution across dozens of cases.”

— “  
“A credit union received a repeat finding because it failed to apply the \$50/\$500 liability tiers correctly on debit card fraud claims.”

— “  
“A \$900M bank was required to refund interest and NSF fees after improperly delaying provisional credits.”

## Understanding Reg E: What Examiners Expect

A DMS should help your institution meet all major Reg E obligations, including:

- Immediate logging of oral or written notice of error
- Prompt investigation beginning upon receipt
- Provisional credit within 10 business days (when required)
- Notification of provisional credit within 2 business days
- Final determination within 3 business days of completing investigation
- Refund of interest and fees where appropriate
- Accurate application of consumer liability limits under § 1005.6
- Retention of documentation for auditors and regulators (§ 1005.13)

## Avoiding Regulator Pitfalls

- Start investigations immediately—don't wait for documents.
- Treat every claim (including oral) as an error until proven otherwise.
- Document every investigation step.
- Apply correct consumer liability tiers.
- Provide full use of provisional credit.
- Avoid merchant-routing unless absolutely appropriate.
- Maintain evidence to show compliance for every step.

## Why Automation Matters Now

### What a Dispute Management System (DMS) Really Does

Regulators emphasize the need for uniformity across channels—branch, online banking, contact center, and mobile. Manual tracking cannot deliver the consistency examiners require. A DMS automates and orchestrates every step of the process—from first contact to final completion. More importantly, it ensures that every Reg E rule is followed consistently, without relying on memory, manual trackers, or staff availability.



### Core functions include:

- Centralized case intake with complete transaction and consumer details
- Automated timers for 10-, 20-, 45-, and 90-day investigation windows
- Provisional credit workflows with date triggers and documentation
- Tracking of investigator steps, comments, attachments, and evidence
- Configurable workflows for ACH, card, check, P2P, and instant payments
- Automated generation of letters, findings, and consumer notifications
- Audit-ready case histories for examiners and auditors.
- Automatic logging of every action
- Timestamped audit trails
- Capturing oral notices & evidence uploads
- Staff accountability and case locking

## Micro Case Study: Before & After DMS Adoption

A \$1.2B community bank in the Midwest managed disputes through spreadsheets and shared inboxes. Examiners repeatedly cited issues with missed 10-day windows and incomplete documentation.

After adopting a dedicated dispute management system:

- Reg E exceptions were reduced by more than half
- All provisional-credit steps were automated and fully documented
- Audit preparation time dropped from several days to under an hour



The bank didn't just "pass exams"—it freed up staff time and improved the member/customer experience in the process.

## Assessment

### How to Know If You Need a DMS?

If you answer yes to two or more of these, it's time to consider automation:

- Are you tracking disputes in Excel or email threads?
- Have you missed a Reg E deadline in the past year?
- Do examiners flag your dispute documentation?
- Do you re-key data into multiple systems?
- Does staff turnover disrupt your dispute process?

## The Facts

- 35–60% of community FIs still manage disputes manually
- Over 50% of FIs report missing at least one Reg E deadline in the previous 12 months
- A single examiner finding can require hundreds of hours of remediation
- Institutions with automated dispute systems reduce exceptions by 40–70%

## What to Look for in a DMS

When evaluating vendors, look for a platform that provides:

- **Reg E automation** with timers, escalations, and workflow prompts
- **Complete audit trail** with every action automatically tracked
- **Configurable forms and workflows** for each dispute type (ACH, card, check, P2P, instant payments)
- **Internal credit ledger** for provisional and final credits
- **Reporting and dashboards** for compliance, operations, and executives
- **Support for ACH, card, check, and P2P disputes**
- **Minimal IT lift** with cloud or in-house deployment options

## Questions to Ask Vendors

Use these questions to separate the leaders from the laggards:

- How do you track and alert for Reg E deadlines?
- Can operations staff update forms or workflows without IT?
- How are provisional and final credits handled and documented?
- What reports are most useful for auditors and management?
- What support and training are included after go-live?



## Quick Comparison Snapshot of FIntegrate's FusionDMS

Feature	FusionDMS	Others
Reg E Automation	✓ Built-in alerts & timers	⚠ Often manual or limited
Internal Credit Ledger	✓ Tracks provisional & final	✗ Usually in core only
Configurable Forms	✓ Dynamic by dispute type	⚠ Static templates
Audit Reports	✓ One-click full case history	⚠ Manual exports
Implementation Time	≈45 days	3–6 months typical
In-House or Cloud Solution	Both	One option

### Next Steps

1. Review your current dispute-handling workflow.
2. Identify where manual tracking causes risk or delay.
3. Compare at least two DMS vendors using the included table.
4. Schedule demos with vendors who specialize in Reg E and ACH automation.
5. Select a solution that aligns with your core system and compliance priorities.

### Getting Started with FusionDMS

If you're still managing disputes in spreadsheets, you're one missed deadline away from a compliance finding. Automating the process isn't just about efficiency—it's about protecting your institution and improving the experience for your members and customers.

To see how FusionDMS helps institutions of all sizes streamline their dispute handling, request a short demo by contacting us at [sales@fintegrate.com](mailto:sales@fintegrate.com), or speak with one of our clients who has made the switch.



**Contact us to learn more.**  
[sales@fintegrate.com](mailto:sales@fintegrate.com)

A consolidated guide based on Reg E (12 CFR Part 1005), regulator exam findings, and recent warnings from NCUA, CFPB, FDIC, and OCC.

## 1. Investigation Timeframes (All Institutions Must Meet These)

### Standard Reg E Time Limits

Requirement	Timeframe
Begin investigation	Immediately upon receiving <b>oral or written</b> notice
Provisional credit (standard)	<b>10 business days</b>
Provisional credit (new accounts*)	<b>20 business days</b>
Extended investigation period	<b>45 days</b>
Extended investigation for POS, new account, or foreign transactions	<b>90 days</b>
Notify consumer of provisional credit	Within <b>2 business days</b>
Final determination after completing investigation	<b>Within 3 business days</b>
Provide written explanation of findings	With final determination
Retain documentation	<b>2 years minimum</b> (or longer if litigation/investigation active)

\* A "new account" is one open for less than 30 days.

## 2. Provisional Credit Requirements

Examiners routinely cite institutions for incorrect handling of provisional credit.

### What's Required

- Issue provisional credit within **10 business days** of receiving the claim
- Provide **full use of funds** during the investigation
- Notify consumers **within 2 business days** of the credit
- Reverse provisional credit **only after**:
  - Completing the investigation
  - Providing written notice at least **5 business days** before reversal

### Regulator-Warned Pitfalls

- Requiring documentation before issuing provisional credit
- Splitting provisional credit amounts across dates
- Not refunding related fees (NSF, overdraft, interest)

## 3. Consumer Liability Limits (§1005.6)

Condition	Maximum Consumer Liability
Reported within <b>2 business days</b> of learning of loss	<b>\$50</b>
Reported after 2 days but within <b>60 days</b> of statement	<b>\$500</b>
Reported after 60 days from statement date	<b>Unlimited liability</b> (if FI can prove avoidable loss)

### Regulator-Warned Pitfalls

- Assuming **PIN use = authorized**
- Denying claims because “customer negligence” is suspected
- Using merchant documentation as the sole basis for denial
- Failing to adequately document the liability calculation

## 4. What Counts as a Notice of Error (Triggers the Clock)

Regulators emphasize this point strongly.

### A notice of error is ANY of the following:

- A phone call
- An in-person conversation
- A secure message or email
- A written claim
- A request for documentation that signals an error may exist

**The institution may NOT require the consumer to provide documentation before starting the investigation.**

### Examiners Continue to Cite Institutions For:

- Not logging oral notices
- Requiring police reports or affidavits
- Treating phone conversations as “inquiries,” not claims

## 5. Misclassification Pitfalls (Top 2024–2025 Finding Across FIs)

Examiners found institutions improperly routing disputes into the wrong category.

### The Most Common Misclassifications

- Calling a fraud event a “merchant dispute”
- Calling an EFT error a Reg Z billing error
- Treating scam-related transfers as “authorized” without deeper analysis
- Treating P2P or Zelle fraud as “customer error”
- Denying claims because “the customer gave someone their phone”

### Regulators repeatedly warned:

“Misclassification leads directly to improper liability assessments and consumer harm.”

### How a Good DMS Prevents This

- Decision trees
- Required prompts
- Forced classification rules
- Configurable workflows per dispute type
- Routing tied to transaction type, not staff judgment

## 6. Documentation Expectations (Top Cause of Exam Findings)

Examiners expect institutions to produce:

### Minimum Required Documentation

- Evidence of initial notice (including oral notice)
- Time-stamped investigation steps
- Communications sent to the consumer
- Provisional credit dates and amounts
- Fee refunds
- Liability calculations
- Final determination letter
- Evidence reviewed (screenshots, merchant data, internal audit trail)

### Exam Red Flags

- No record of how the case was classified
- No documented reasoning for liability
- Missing steps in the investigation
- Inconsistent file formats across cases
- Reliance on handwritten notes

## 7. Regulator Statements on Common Pitfalls (Paraphrased)

### Regulators recently warned that institutions often:

- Fail to start the investigation until documentation is received
- Do not treat oral notice as official notice
- Routinely deny claims based on merchant information alone
- Misapply liability because of staff assumptions
- Provide insufficient documentation to examiners
- Misclassify EFT fraud as merchant disputes
- Fail to provide full use of provisional credit
- Apply internal policies that contradict Reg E (automatic denials, affidavit requirements, etc.)

## 8. Instant Payments & P2P Disputes (Emerging Risk Area)

Regulators have flagged P2P and FedNow-related disputes as growing areas of non-compliance.

### Key Expectations

- P2P fraud (Zelle/Venmo/Cash App) is often unauthorized activity
- Institutions must evaluate error categories, not customer behavior
- Instant payments do NOT change Reg E obligations
- Investigations must still meet the standard timelines
- Merchant portals or P2P logs cannot be used as the sole basis for denial

## 9. Examiner Questions You Should Expect

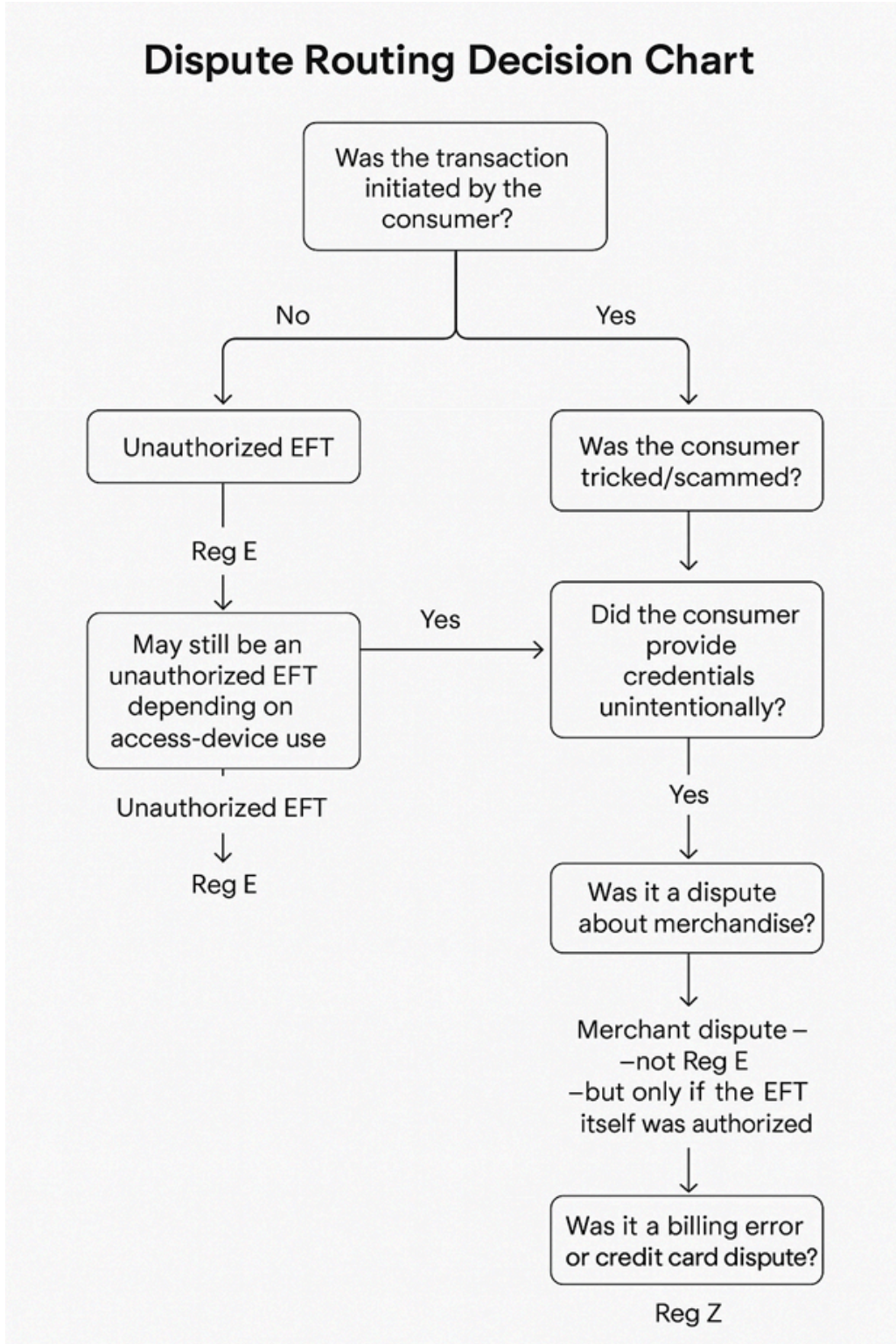
This section is new and extremely useful to buyers.

### Expect examiners to ask:

- "How do you log oral notice?"
- "Show me how you apply the \$50/\$500/unlimited liability tiers."
- "Show a case where provisional credit was issued within 10 days."
- "Show evidence of full use of funds during the investigation."
- "Explain how you distinguish unauthorized EFT from merchant disputes."
- "Provide the full case history for these five random claims."
- "How do you prevent misclassification?"
- "How is documentation retained? For how long?"
- "Show me a case where you extended to 45 or 90 days, and why."
- "What controls ensure staff follow the same steps every time?"

A DMS (especially FusionDMS) must be able to produce these instantly.

## 10. Dispute Routing Decision Chart



## 11. Fee and Interest Refund Requirements

The FI must refund:

- NSF fees caused by the error
- Overdraft fees
- Interest tied to the error
- Charges related to provisional credit or reversals

Many FIs fail to track this properly—automation solves it.

## 12. Reg E Appendix: Complete Requirements Summary

This final section is a crisp, exam-ready list:

### Required

- Log notice of error immediately
- Start investigation at first contact
- Issue provisional credit within 10 business days
- Provide notice of provisional credit within 2 business days
- Allow full use of funds during investigation
- Complete investigation within 10/45/90 days
- Provide written final determination
- Provide calculations for consumer liability
- Retain documentation at least 2 years

### Prohibited

- Requiring documentation before starting the investigation
- Automatically denying claims based on PIN use
- Relying solely on merchant or network data
- Penalizing consumer for failing to file police report
- Reversing provisional credit without proper notice
- Misclassifying fraud as a merchant dispute