Is Your Regulation E Program Exam-Ready?

A Self-Assessment Guide for Community Banks and Credit Unions

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Regulation E violations were among the top-cited consumer compliance findings in Federal Reserve examinations in 2024, the last reported findings. The same patterns appear in FDIC and NCUA exams of community banks and credit unions. What examiners find, consistently, is not that institutions don't know the rules, it's that their policies, workflows, and vendor relationships don't reliably execute them.

This guide is organized by program element, the building blocks examiners assess when evaluating your Regulation E compliance management system. Use it to identify gaps before an examiner does.

1. Policies and Procedures

What examiners expect to see

Examiners want written Regulation E error resolution procedures that are specific enough to guide staff through every decision point, not high-level summaries that restate the regulation without telling anyone what to actually do. The Federal Reserve specifically recommends "***sufficiently detailed error resolution procedures***" that include instructions for gathering information upon notice of an error, what constitutes a thorough investigation, how to engage with consumers throughout the process, and how to document each step.

Self-assessment questions

☐ Do your written procedures clearly define what constitutes a "notice of error", including oral notices from any channel (phone, branch, digital, chatbot)?

☐ Do procedures specify that investigation must begin immediately upon receipt of an oral notice, without waiting for written confirmation?

☐ Are all impermissible preconditions explicitly excluded from your intake process: police reports, notarized affidavits, branch visits, merchant contact requirements?

☐ Do procedures address each of the four investigation time frames: standard 10/45-day, new account 20/90-day, POS debit 10/90-day, and foreign-initiated 10/90-day?

☐ Do procedures address ACH disputes separately from card disputes, including WSUD requirements?

☐ Are procedures reviewed and updated at least annually, or when regulatory guidance changes?

☐ Are third-party vendors required by contract to follow your Regulation E procedures, or procedures that meet equivalent standards?

Common gaps

⚠️ Procedures that address the general rule but don't specify what happens when an oral notice comes in through a non-standard channel.

⚠️ Procedures written for card disputes that are then applied without modification to ACH claims.

⚠️ Vendor agreements that reference "applicable law" without specifying Regulation E requirements explicitly.

2. Staff Training

What examiners expect to see

The Federal Reserve identified failure to train staff as a primary root cause of Regulation E violations in 2024, not just frontline staff, but investigators, supervisors, and operations personnel who handle provisional credit and consumer notices. Examiners look for documented, periodic training with evidence of completion.

Self-assessment questions

☐ Have all consumer-facing staff (tellers, call center agents, branch staff, digital support) been trained to recognize and properly route a Regulation E notice of error?

☐ Do investigators receive specific training on the burden of proof standard: when a consumer alleges an unauthorized EFT, the institution must establish authorization, not the consumer?

☐ Are investigators trained that consumer negligence (including writing a PIN on a card) does not increase the consumer's liability under Regulation E?

☐ Are investigators trained that authentication credentials (PIN, biometric, OTP) establish how a transaction was processed, not whether it was authorized?

☐ Do investigators understand the distinction between a card network chargeback outcome and a Regulation E determination? Are they trained that these are independent conclusions?

☐ Are operations staff (those who handle provisional credit issuance, reversal, and consumer notices) included in Regulation E training?

☐ Is training documented with completion records retained for examination?

☐ Is training conducted at least annually, and when regulatory guidance or internal procedures change?

Common gaps

⚠️ Training that covers the regulation's requirements but not the institution's specific internal procedures.

⚠️ Call center or teller training that treats disputes as customer service issues rather than regulatory triggers.

⚠️ No training for operations staff who manage provisional credit or notice generation.

3. Investigation Workflow Controls

What examiners expect to see

A defensible investigation file shows a clear sequence: notice received, investigation initiated promptly, evidence gathered from the institution's own records, analysis performed, determination made with documented reasoning. Examiners are not satisfied with conclusions; they want to see the work. Generic case notes like "reviewed documentation, claim denied" are a consistent citation.

Self-assessment questions

☐ Is the investigation start date recorded in every dispute file, matched to the date of consumer notice?

☐ Do investigators document each piece of evidence reviewed, not just the conclusion?

☐ Do investigation narratives specifically address whether the consumer authorized the transfer, not just whether the system authenticated it?

☐ When denying a claim, does the written explanation identify the specific evidence and reasoning, not generic language?

☐ Does every denial notice disclose the consumer's right to request the documents relied upon in the determination?

☐ Are documents relied upon retained and available for production upon consumer request?

☐ Is there a secondary review process for denials based solely on authentication credentials, chargeback outcomes, or merchant responses?

☐ Are investigation files organized so that all elements (notice, timeline, evidence, analysis, notices, communications) are accessible in one place?

Common gaps

⚠️ Investigators who document the outcome but not the analysis.

⚠️ Denial notices that omit the consumer's right to request underlying documents.

⚠️ No secondary review mechanism for high-risk denial categories.

How FusionDMS helps

FusionDMS provides investigators with a structured, centralized workspace that guides evidence collection, enforces documentation requirements, and maintains a complete, examiner-ready audit trail for every dispute.

4. Consumer Communications and Notices

What examiners expect to see

Regulation E requires specific notices at specific times, and the format of the notice depends on the outcome. Examiners look at whether the right notice was sent, in the right format, within the required time frame, and with the required content. They also look for documentation that the notice was actually delivered.

Regulatory notice requirements at a glance

Trigger	Time Frame	Format
Provisional credit issued	Within 2 business days of crediting	Written or oral
Investigation complete: error found	Within 3 business days	Written or oral
Investigation complete: no error found	Within 3 business days	**Written only**
Provisional credit reversed	Before or upon debiting	Written

Self-assessment questions

☐ Does your process distinguish between the oral/written option (error found) and the written-only requirement (no error found)?

☐ Are provisional credit notices sent within two business days of the credit, with the amount and date?

☐ Do denial notices include a written explanation of findings, not generic language, and disclose the consumer's right to request underlying documents?

☐ When provisional credit is reversed, does the notice accurately describe the institution's actual sequencing (debit-then-notify vs. notify-then-debit-five-days-later)?

☐ Does the reversal notice confirm that checks and preauthorized transfers will be honored without overdraft charges for five business days?

☐ Is the date of each notice documented, not just the content?

☐ Are vendor-generated notice templates reviewed by compliance staff for accuracy and completeness?

☐ If template language is used, has it been verified against the current regulation and staff commentary?

Common gaps

⚠️ Sending oral notice when written-only is required upon denial.

⚠️ Using reversal notice templates that describe a process the institution doesn't actually follow.

⚠️ No documentation of the notice delivery date, making timeliness impossible to verify.

How FusionDMS helps

FusionDMS automates the generation and delivery of all required Regulation E consumer notices, keyed to investigation outcomes and triggered at the correct point in the workflow. Notices are generated with compliant content, logged with delivery dates, and retained in the dispute file.

5. Provisional Credit Controls

What examiners expect to see

Provisional credit is where many institutions accumulate multiple violations in a single dispute: missing the deadline, not including interest, restricting access to credited funds, and then mishandling the reversal. Examiners look for consistent, timely, fully accessible provisional credit, and they check the institution's tracking mechanism to see whether deadline monitoring is systematic or ad hoc.

Self-assessment questions

☐ Is the applicable time frame determined for every dispute at intake (standard 10-day, new account 20-day)?

☐ Is provisional credit issued within the required window when the investigation will not be completed in time?

☐ Does provisional credit include interest on interest-bearing accounts, not just the disputed transaction amount?

☐ Are provisionally credited funds fully accessible to the consumer: no holds, no restrictions?

☐ Is the exception to provisional credit documented when it applies (written confirmation requested but not received within 10 business days)?

☐ When provisional credit is reversed, is the five-business-day honor period tracked and confirmed?

☐ Once provisional credit has been made final and the consumer notified, is there a control to prevent reversal?

☐ Are POS debit card disputes and foreign-initiated EFTs identified and routed to the 90-day extended track when provisional credit is required?

Common gaps

⚠️ Provisional credit issued in the correct amount but without interest.

⚠️ Holds placed on credited funds by the core system or vendor platform.

⚠️ No tracking mechanism to confirm the five-day honor period after reversal.

⚠️ Provisional credit made final and then reversed when a merchant refund is received.

How FusionDMS helps

FusionDMS tracks Regulation E investigation deadlines automatically, calculating the provisional credit due date at intake based on account type and dispute category, and alerting investigators before the deadline passes. Integration with core systems allows compliance staff to automatically post credits to customer accounts.

6. ACH-Specific Controls

What examiners expect to see

ACH disputes follow a different regulatory and operational path than card disputes. Examiners find, consistently, that institutions process ACH claims using card dispute procedures, a category error that produces documentation failures, incorrect return codes, and missed WSUD requirements.

Self-assessment questions

☐ Are ACH disputes identified at intake and routed to ACH-specific procedures, separate from card dispute workflows?

☐ Do investigators understand that ACH unauthorized debits are handled through NACHA return entries, not chargeback cycles?

☐ Is a Written Statement of Unauthorized Debit (WSUD) obtained and signed by the consumer for unauthorized ACH debit claims?

☐ Is the WSUD retained in the dispute file and available for examination?

☐ Are ACH return entries submitted within applicable NACHA time frames?

☐ Do investigators know the applicable return reason codes and use them correctly?

☐ Are investigators trained on the distinction between "unauthorized" and "not originated" ACH returns?

☐ Are ACH disputes included in your Regulation E training curriculum, not treated as a separate operational matter outside of compliance oversight?

Common gaps

⚠️ ACH claims processed through the card dispute system with no WSUD obtained.

⚠️ NACHA return deadlines missed because staff applied card dispute timelines.

⚠️ Missing or incorrect return reason codes that expose the institution to NACHA compliance findings in addition to Regulation E findings.

7. Third-Party Vendor Oversight

What examiners expect to see

Vendor oversight is the most prominent emerging theme in Regulation E examinations across all agencies. The FDIC found an institution where a vendor automatically denied every EFT dispute with no follow-up. The Federal Reserve found institutions whose vendor-generated notices were late, incomplete, or contained inaccurate template language. In every case, the institution bore full responsibility. Examiners assess not just what the vendor does, but how actively the institution oversees it.

Self-assessment questions

☐ Do vendor contracts explicitly require compliance with Regulation E, including provisional credit timelines, notice content, consumer access to credited funds, and investigation documentation standards?

☐ Does the institution receive and review vendor error resolution logs, including investigation start dates, provisional credit issuance dates, and notice delivery dates?

☐ Have compliance staff reviewed all vendor-generated notice templates for accuracy and regulatory completeness?

☐ Is there a process to test consumer-facing vendor outputs, for example, confirming that a consumer actually has full access to provisionally credited funds after the vendor posts the credit?

☐ Are vendor Regulation E compliance metrics included in periodic third-party risk management reviews?

☐ Is vendor Regulation E performance included in internal audit scope?

☐ When a vendor generates a denial notice, does compliance staff verify the notice meets the written explanation and document disclosure requirements, not just that a notice was sent?

☐ If the vendor has changed its dispute processing system or templates, has compliance reviewed the updated outputs?

Common gaps

⚠️ Vendor contracts that reference "applicable law" without specifying Regulation E requirements.

⚠️ No regular review of vendor-generated notice content.

⚠️ Compliance staff who assume vendor outputs are correct because violations haven't surfaced yet.

⚠️ Vendor Regulation E compliance excluded from internal audit scope.

8. Monitoring, Audit, and Complaint Review

What examiners expect to see

Examiners look for evidence that management actively monitors Regulation E compliance, not just that procedures exist. They expect to see periodic sampling of dispute files, tracking of key metrics, and a complaint review process that surfaces systemic issues before they become examination findings.

Self-assessment questions

☐ Does management receive periodic reports on Regulation E investigation metrics: average time to provisional credit, average investigation completion time, percentage of disputes resolved in the institution's favor?

☐ Is a high denial rate, or a high rate of claims resolved in the institution's favor, treated as a potential compliance indicator that triggers file sampling?

☐ Are samples of completed dispute files reviewed periodically to confirm investigators are following procedures and documenting correctly?

☐ Are consumer complaints related to Regulation E investigations tracked separately and reviewed for patterns?

☐ Is there a process to identify and remediate violations discovered through monitoring before they are identified in examination?

☐ Is Regulation E dispute operations included in the internal audit plan with a defined review frequency?

☐ When monitoring or audit identifies a gap, is there a documented remediation process with assigned ownership and completion tracking?

☐ Are monitoring results reported to senior management and/or the board's compliance committee?

Common gaps

⚠️ No management reporting on Regulation E investigation metrics.

⚠️ Denial rates that are never analyzed for compliance risk signals.

⚠️ Consumer complaints reviewed for customer service purposes but not for regulatory compliance patterns.

⚠️ Regulation E compliance monitored informally rather than included in a formal audit plan.

Quick Reference: Key Regulation E Deadlines

Event	Deadline
Begin investigation after oral or written notice	Promptly, same day notice received
Issue provisional credit (standard)	Within 10 business days of notice
Issue provisional credit (new account)	Within 20 business days of notice
Notify consumer of provisional credit	Within 2 business days of crediting
Complete investigation: standard	45 calendar days from notice
Complete investigation: new account, POS debit, foreign EFT	90 calendar days from notice
Correct confirmed error	Within 1 business day of determination
Send results notice to consumer	Within 3 business days of completing investigation
Honor items after provisional credit reversal	5 business days from notice of reversal

Sources

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