

# Contents

CD-Rom Contents	xv
-----------------	----

## Chapter 2

### The Consumer's Payment by Personal Check

2.3 Consumer Liability for Forged or Altered Checks, Unauthorized Telechecks	1
2.3.1 General Rule That Consumer Not Liable	1
2.3.1.4 Altered Checks	1
2.3.2 Negligence Can Cause Consumer Drawer to Be Liable for Unauthorized Use	1
2.3.2.2 Comparative Negligence	1
2.3.5 A Special Case: "Telechecks" or Preauthorized Drafts	1
2.3.5.3 Which Bank Has the Motivation to Dispute the Consumer's Claim?	1
2.4 Consumer Rights When Injury Is Caused by Use of Substitute Checks	1
2.4.1 Introduction	1
2.5 Wrongful Dishonor; Not Sufficient Funds (NSF) Checks	2
2.5.3 When Does an Overdraft Make a Check Not Properly Payable?	2
<b>2.5.3.2 Overdraft Protection May Require That Check Be Honored</b>	2
2.5.4 Electronic Re-Presentation of Insufficient-Funds Checks	3
2.5.4.3 EFTA Applies to Fee Charges for Re-Presented Checks	3
2.6 Consumer Attempts to Limit Payment: Post-Dated Checks, Stop Payment Orders, and Termination of Account or Joint Ownership	3
2.6.2 Right to Stop Payment	3
2.6.2.7 Right to Payment by Check Cashers and Other Subsequent Holders of a Stopped Payment Check	3
2.6.2.7.3 When is a subsequent check holder a holder in due course?	3

*replacement subsection*

## Chapter 3

### Electronic Transfers from the Consumer's Account

3.2 Issuance of Debit and ATM Cards, Other Access Devices	5
3.2.3 Issuance of Access Devices Requested by Consumer	5
3.2.4 Initial Disclosures	5
3.2.4.3 Content of Initial Disclosures	5
3.3 Consumer Liability for Unauthorized Transfers	5
3.3.2 When Consumer Has No Liability for Unauthorized Use	5
3.4 Procedures for Resolving Errors	6
3.4.2 Consumer's Notice to Institution of Error	6
3.4.3 Institution's Duty to Investigate	6
3.5 Use of ATM and Debit Cards to Access Cash at Terminals	7
3.5.1 Disclosure of ATM Fees	7
3.5.2 Receipts at Electronic Terminals	7
3.6 Debit Card's Use to Purchase Goods or Services	7
3.6.3 Debit Card Issuer's Hold on Consumer's Bank Account	7

	3.7 Electronic Check Conversion (ECC): Checks Used as Source Documents for Electronic Transfers . . . . .	8
<i>replacement subsection</i>	<b>3.7.1 The EFTA Applies to ECC</b> . . . . .	8
	3.7.3 Accounts Receivable Entries (ARC) . . . . .	10
	3.7.3.2 NACHA Limitations for ARC Transfers . . . . .	10
<i>new subsection</i>	<b>3.7.3.3a Information on Periodic Statements</b> . . . . .	10
	3.7.3.5 Consumer’s Right to Stop Payment on ARC . . . . .	10
	3.7.3.6 Right to a Re-Credit of ARC . . . . .	10
	3.7.4 Point-of-Purchase Entries (POP) . . . . .	11
	3.7.4.1 How POP operates . . . . .	11
<i>replacement heading</i>	<b>3.7.4.2 Authorization for POP Entries and Information on Periodic Statements</b> . . . . .	11
	3.7.4.3 Bank Warranties in POP Entries . . . . .	12
	3.7.4.5 Consumer’s Re-Credit Right for POP Entries . . . . .	12
	3.8 Sales Over the Telephone Leading to Electronic Transfers . . . . .	12
	3.8.2 Establishing Authorization for a Telephone Transfer . . . . .	12
	3.11 Preauthorized Electronic Fund Transfers . . . . .	12
	3.11.2 Authorization for Fund Transfers Out of Consumer’s Account . . . . .	12
	3.11.3 Disclosure When Transfer Is a Variable Amount . . . . .	13
	3.11.4 Right to Stop Payment . . . . .	13
	3.13 Remedies for EFTA and NACHA Rule Violations . . . . .	14
	3.13.2 Liability for Any EFTA Violation—§ 1693m . . . . .	14
	3.13.5 Can Consumers Seek Relief for NACHA Rule Violations? . . . . .	14
<i>new section</i>	<b>3.14 State Law Protections for Cardholders</b> . . . . .	14
Chapter 4	Involuntary Payments from Bank Accounts: Garnishment, Set-Off, and Bank Fees	
	4.2 Creditor Garnishment of Consumers’ Bank Account . . . . .	15
	4.2.1 Due Process Protections from Bank Account Garnishment . . . . .	15
	4.2.2 No Garnishment of Exempt Funds in Bank Accounts . . . . .	15
	4.2.3 Garnishment of Joint Accounts . . . . .	16
	4.3 Bank Set-Off . . . . .	17
	4.3.2 Federal Limits on Bank Set-Off . . . . .	17
	4.3.2.1 Federal Limitation on Bank Set-Off of Credit Card Debt . . . . .	17
	4.3.3 State Law Limitations on Bank’s Right of Set-Off . . . . .	17
	4.3.6 Debts That May Be Set Off . . . . .	17
	4.3.6.1 Debts Must Be Mutual . . . . .	17
	4.3.6.2 Debt Must Have Matured . . . . .	17
	4.3.7 Accounts That Can Be Set Off . . . . .	17
	4.3.7.3 Joint Accounts . . . . .	17
	4.3.8 Are Funds Exempt from Garnishment Also Exempt from Set-Off? . . . . .	18
Chapter 5	Money Orders and International Wire Transfers, Cashier’s and Traveler’s Checks	
	5.2 International Money Orders and Wire Transfers . . . . .	19
	5.2.1 Introduction . . . . .	19
	5.2.2 Applicable Law . . . . .	19
	5.2.2.2 Is Western Union Governed by the Federal Common Law? . . . . .	19
	5.2.2.3 Applicability of State Contract Law to Other International Money Orders . . . . .	19
	5.4 Bank Checks . . . . .	20
	5.4.1 Cashier’s and Teller’s Checks Generally . . . . .	20

Chapter 6

Credit Cards

6.1 The Basics . . . . . 21  
 6.1.1 Introduction . . . . . 21  
 6.1.3 Types of Credit Cards . . . . . 21  
     6.1.3.4 Charges Added to Phone Bills . . . . . 21  
 6.9 State Law Protections for Cardholders . . . . . 21

Chapter 7

Stored Value Cards

7.1 Overview . . . . . 23  
     7.1.6 Regulation of Stored Value Cards . . . . . 23  
         7.1.6.1 Limited Applicable Law . . . . . 23  
 7.3 Card Issuer Insolvency . . . . . 23  
     7.3.1 Merchant Refusal to Accept Card Because of Card Issuer’s Insolvency . . . . . 23  
 7.7 Regulation of Particular Types of Cards . . . . . 23  
     7.7.1 Prepaid Telephone Cards . . . . . 23  
     7.7.2 Gift Cards . . . . . 23  
     7.7.3 Payroll Cards . . . . . 23  
 7.8 Consumer Remedies . . . . . 24

Chapter 8

Electronic Benefit Transfer (EBT)

8.2 Sources of Legal Guidance and Applicable Law . . . . . 27  
     8.2.2 Rights Based on State Agency Contract with Private Vendor . . . . . 27  
         8.2.2.2 Advocacy Before State Agencies Concerning Terms of Vendor  
             Contract . . . . . 27  
 8.3 EBT Card Issuance, PIN Selection, and Replacement Cards . . . . . 27  
     8.3.3 Personal Identification Numbers (PINs) . . . . . 27  
         8.3.3.2 Advantages of PIN Selection over PIN Assignment . . . . . 27  
     8.3.4 Replacement Cards and PINs . . . . . 27  
         8.3.4.1 General . . . . . 27  
 8.4 Recipient EBT Training . . . . . 28  
     8.4.1 General . . . . . 28  
     8.4.2 Written Training Materials . . . . . 28  
     8.4.3 Types of Training . . . . . 28  
         8.4.3.1 Overview . . . . . 28  
 8.5 Recipient Access to EBT Benefits . . . . . 28  
     8.5.1 Access to Food Stamp Benefits . . . . . 28  
         8.5.1.1 General . . . . . 28  
     8.5.3 System Downtime and Back-Up Systems . . . . . 28  
         8.5.3.1 General . . . . . 28  
         8.5.3.2 Manual Vouchers for Food Stamps . . . . . 28  
     8.5.6 Conversion of EBT Benefits to Paper Food Stamp Coupons . . . . . 28  
 8.6 Recipient EBT Charges . . . . . 29  
     8.6.1 No Charge for Access to Food Stamp Benefits . . . . . 29  
     8.6.6 Merchant Assessment of Food-Stamp-Related Fees to EBT Contractor . . . . . 29  
 8.7 Security and Privacy . . . . . 29  
     8.7.1 Data and Account Security . . . . . 29  
     8.7.3 Lost or Stolen EBT Cards and PINs . . . . . 29  
         8.7.3.2 Food Stamps . . . . . 29  
     8.7.6 Privacy Issues . . . . . 29  
 8.8 Error Resolution and Maintaining EBT Account Records . . . . . 29  
     8.8.2 Food Stamp Error Resolution . . . . . 29  
         8.8.2.1 Recipient Rights to Notice and Fair Hearing . . . . . 29

- 8.8.2.2 When Agency Incorrectly Credits Recipient’s Account . . . . . 29
- 8.8.2.3 Correcting System Errors . . . . . 30
- 8.8.2.4 Insufficient Funds Payments . . . . . 30
- 8.8.5 Lost or Stolen Cards . . . . . 30
- 8.8.7 Maintaining EBT Account Records: Transactions Histories . . . . . 30
- 8.9 Meeting Recipients’ Special Needs; ATM Access for the Disabled . . . . . 30
  - 8.9.2 Americans with Disabilities Act . . . . . 30
    - 8.9.2.1 Applicability to EBT and Other ATM Transactions . . . . . 30
  - 8.9.6 Recipients with Mental Illness, Group Living Facilities, the Homeless, and Homeless Meal Providers . . . . . 30
    - 8.9.6.2 Issuing Cards, PINs, and Training Materials to Homeless Recipients . . . . . 30
      - 8.9.6.2.4 State must provide appropriate assistance to recipients. . . 30

Chapter 9 Check Payments to Consumers: Lost Checks, Funds Availability, and Check Cashing

- 9.5 Payee’s Attempts to Cash Check at Drawer’s Bank . . . . . 31
  - 9.5.2 Can Drawer’s Bank Charge Payee a Fee to Cash a Check? . . . . . 31
    - 9.5.2.2 Does Employer Violate State Labor Law When Employer’s Bank Charges Employee a Fee to Cash Pay Checks? . . . . . 31
- 9.6 Regulation of Check Cashers . . . . . 31
  - 9.6.2 State Regulation . . . . . 31
  - 9.6.5 Other Federal Regulation . . . . . 31

Chapter 10 Government and Other Direct Deposits to Consumer Accounts

- 10.3 How Federal Benefits Are Transferred to Consumers . . . . . 33

Chapter 11 Electronic Records, Contracts, Disclosures, and Signatures

- 11.1 General—Replacing Paper with Electronic Media . . . . . 35
  - 11.1.1 Introduction . . . . . 35
  - 11.1.2 When Can Electronic Records and Electronic Signatures Replace Paper? . . . 35
    - 11.1.2.2 E-mail Satisfies Writing Requirement . . . . . 35
    - 11.1.2.3 Electronic Signatures Can Satisfy Legal Requirement for a Signature . . . . . 35
- 11.2 Scope and Coverage of E-Sign and UETA . . . . . 36
  - 11.2.3 Other Aspects of Law Still Apply to Electronic Transactions . . . . . 36
- 11.3 Consumer Protections Applicable to Electronic Records Replacing Paper . . . . . 36
  - 11.3.4 Consumer Protections Under UETA . . . . . 36
    - 11.3.4.2 UETA’s Consumer Protection—A Party Cannot Be Required to Use Electronic Records . . . . . 36
  - 11.3.5 Consent Under E-Sign . . . . . 36
    - 11.3.5.1 Consumer Not Required to Accept Electronic Records . . . . . 36
  - 11.3.6 Ability to Retain and Accurately Reproduce Records; Oral Records . . . . . 36
    - 11.3.6.2 Does an Oral Record Qualify As an Electronic Record? . . . . . 36
- 11.6 Manner of Transmission and Proof of Delivery . . . . . 36
  - 11.6.3 When Underlying Law Specifies Nature of Transmission . . . . . 36
    - 11.6.3.3 Proof of Delivery . . . . . 36
- 11.7 Electronic Signatures . . . . . 37
  - 11.7.4 Special Issues with Electronic Signatures . . . . . 37
    - 11.7.4.3 Electronic Signatures May Serve as Authentication . . . . . 37

Appendix B	Check 21 Materials	
	B.2 Federal Reserve Board Rules Regarding Substitute Checks . . . . .	39
	B.3 Federal Reserve Board Commentary Regarding Substitute Checks . . . . .	39
Appendix D	Electronic Fund Transfer	
	D.2 Regulation E on Electronic Fund Transfers . . . . .	41
	D.3 Official Staff Interpretations Regarding Regulation E . . . . .	47
<i>new section</i>	<b>D.5 Supplementary Information for EFT Regulations—Electronic Check Conversion Services . . . . .</b>	<b>54</b>
<i>new section</i>	<b>D.6 Supplementary Information for EFT Regulations—Payroll Card Accounts . . . . .</b>	<b>77</b>
Appendix G	EBT Materials	
	G.1 Department of Agriculture Food Stamp Program Regulations Relating to EBT . . . . .	87
	G.1.1 7 C.F.R. § 274.12 effective until Jan. 4, 2006 . . . . .	87
	G.1.2 7 C.F.R. § 274.12 effective Jan. 4, 2006 . . . . .	88
Appendix I	Electronic Signatures and Records	
	I.1 Electronic Signatures in Global and National Commerce Act . . . . .	99
Appendix K	Bounce Loan Regulations . . . . .	101
<i>new appendix</i>		
	Index . . . . .	117
	Quick Reference to Consumer Credit and Sales Legal Practice Series . . . . .	143
	About the Companion CD-Rom . . . . .	155

