

American Bank and Trust

Audit Issue: #1

Action Requested of: Dept Manager

Priority: [LOW/MODERATE/HIGH]

Status of Finding: [Preliminary or Final]

Each finding will be on a separate page.

For audits that may overlap departments or operational areas, this signifies the manager responsible for the corrective action.

Assigns a LOW, MODERATE, or HIGH rating to each finding based on perceived risk.

Indicates Preliminary finding or Final Report

Issue: Initial disclosure statements for Overdraft Lines of Protection, also known as Executive Reserve, did not include all information required by the regulation. Specifically, it did not include a notice of the customer's responsibility to report statement discrepancies within 60 days, and additionally it did not include an enumeration of the bank's responsibilities.

Risk: This is a regulatory issue. When a consumer notifies the bank, in writing, of an error on their billing statement, this triggers certain timing requirements in relation to resolving the consumer's dispute. If the consumer is not made aware that he/she must file a written statement of their complaint within 60 days of receiving their statement and if no timing limitations are stated, the consumer could dispute the transaction long past the regulatory timeframes, leaving the bank susceptible to loss when otherwise it would have been mitigated by disclosing the timing requirements.

Recommendation: The Initial Disclosure statement should be revised to incorporate the required information. A notice to all consumers with Executive Reserve accounts should be sent no later than the end of the third quarter.

Action Plan: Bank Management has revised the Initial Disclosure statement to include all information required by the regulation. Notifications will be sent to all consumers with Executive Reserve accounts by no later than September 30th, 2003.

Completion Date: