

Small Business Fraud Protection Act

Senator Robert Menendez (D-NJ) and Senator Kennedy (R-LA)

Currently, the Electronic Fund Transfer Act (EFTA) protections against unauthorized electronic funds transfers, including ACH transactions (debit transactions), do not cover small businesses. When a consumer detects an unauthorized ACH transaction, the consumer has up to 60 days to report suspicious or fraudulent activity. Businesses, including small businesses, only have 24 hours to act on unauthorized debit transactions before the business is made financially responsible for the entire unauthorized debit amount.

Once a consumer detects the unauthorized transaction and informs their bank, consumer liability for an unauthorized ACH transaction is limited. If a consumer informs their bank of an unauthorized ACH within two business days, a consumer is liable for a maximum of \$50. If a consumer informs their bank between two and 60 days, their maximum liability is \$500. Small Businesses, on the other hand, have 24 hours. If small business owners fail to inform their banks within 24 hours, the small business is responsible for the entire unauthorized transaction. However, small businesses lack both the sophistication and the resources to be expected to identify fraud in 24 hours or less.

The Small Business Fraud Protection Act addresses this issue by extending EFTA's "consumer liability section," to small businesses, providing small businesses with protection against fraudulent account transactions. By giving small businesses 60 days to report fraudulent account activity to their bank, the bill ensures small businesses have enough time to report unauthorized activity and protect their profits.

The National Small Business Association and Main Street Alliance support the bill.

Please contact Erika Calderon (erika_calderon@menendez.senate.gov, x4-3602) with any questions or to cosponsor this legislation.