



## ACH Origination Services Training Guide

FOCUS Bank is pleased to provide ACH Origination Services. While we encourage you to read and become familiar with the Nacha Operating Rules, this guide was developed to give you an overview of important information you should be aware of as an ACH originating customer. This guide is to assist you with training, compliance, and risk associated with ACH origination.

### ACH FACTS

- ACH entries are categorized as “consumer or corporate”.
- ACH is a batch system (not real time).
- Once sent to the ACH Operator, entries are irrevocable.
- ACH is capable of crediting or debiting checking or savings accounts.
- An ACH Originator is any entity or person that creates an ACH transaction.
- ACH stop payments for consumers may not have an expiration date.

### ACH LEGAL FRAMEWORK

You are required to abide by multiple rules and agreements including, but not limited to, the following when submitting ACH transactions. FOCUS Bank may ask for access to your premises and records to confirm compliance with the Nacha Rules.

- Electronic access to the current edition of the Nacha Operating Rules can be obtained by creating a Login account as a Basic User through Nacha's website.
  - FOCUS Bank has the right to audit your compliance with the Nacha Operating Rules and your compliance with the origination agreement at any time. FOCUS Bank has the right to terminate the origination agreement immediately for breach of the Nacha Operating Rules or applicable laws.
- Regulation E (for consumer entries)
- UCC4A (for corporate credits)
- Deposit Agreement with FOCUS Bank
- ACH Origination Agreement with FOCUS Bank
- Customer Authorizations

### YOUR RESPONSIBILITIES AS AN ORIGINATING CUSTOMER

- Obtain proper authorizations – dependent on transaction type – and retain authorizations for two years past revocation. (See “Consumer Debit Authorizations”)
- Provide a copy of authorization if requested by the Bank.
- Give appropriate notice to debtor if changing amount or date.
- Protect the banking information received.
- Send entries on the proper date.
- Make necessary changes to payee account information within six banking days when notified by FOCUS Bank.
- Cease subsequent entries when appropriate.
- Monitor your return activity to prevent it from exceeding 0.5% for Unauthorized Debit Returns, 3% for Administrative Debit Returns, and 15% for Overall Debit Returns. (*For more details, reference the Return Rate Reporting Requirements section.*)
- Check payees against OFAC compliance checklists. (This information may be obtained directly from the OFAC Compliance Hotline at 800-540-OFAC or from the OFAC’s home page site.)
- Ensure your computer is protected from unauthorized access by use of a “firewall” as listed in the Business Internet Banking Agreement.

- Protect the confidentiality and integrity of protected information until its destruction. Some examples of protected information include customer authorizations, social security number, account number and routing number information, policy numbers, etc.
- Protect sensitive information no matter what form it is stored as, e.g., electronically or paper based, from the point it is collected until it is destroyed. Restrict and limit access to sensitive data. Use locks on doors and file cabinets. Limit employee access to data to those that need it to do their jobs.
- Do not store sensitive information on portable storage devices (PDA's, USB drives, CD's laptops, iPhones, iPods as these devices are frequently lost or stolen.

#### **DIRECT DEPOSIT PAYROLL AUTHORIZATIONS (CONSUMERS)**

- Neither ACH Rules, nor Regulation E, require a written authorization for ACH credits or reversals.
- The Bank recommends you use direct deposit authorization forms that allow the company to debit the employee's account for adjustments. The forms may also be used to collect the proper employee account information.
- Obtain a voided check, not a deposit slip, from the employee.
- The proper code for direct deposit is PPD.

#### **CONSUMER DEBIT AUTHORIZATIONS**

- For consumers, an authorization to his or her account must be in writing.
- The most common SEC code for signed (wet or electronic signatures) is PPD (used for debits and credits).
- For debit entries, you must provide the customer with evidence of the authorization and information regarding the manner in which the authorization can be revoked.
- Retain authorizations for a period of two years from the termination or revocation of the authorization. No entries can be initiated after termination or revocation of the customer's authorization.
- Consumer debit authorizations must, at a minimum, include the following:
- Language regarding whether the authorization obtained from the receiver is for a single entry, multiple entries, or recurring entries
- Amount or a reference to the method of determining the amount
- Timing (including the start date), number, and/or frequency of the entries
- Receiver's name or identity
- Account to be debited
- Date of the receiver's authorization and
- Language that instructs the receiver how to revoke the authorization directly with the originator (including the time and manner in which the receiver's communication with the originator must occur). For a single entry scheduled in advance, the right of the receiver to revoke the authorization must afford the originator a reasonable opportunity to act on the revocation prior to initiating the entry.

#### **CORPORATE AUTHORIZATIONS**

- For companies, there must be an agreement between the two parties, but the rules do not define what business practices constitute agreements.
- The proper SEC code is CCD (used for debits and credits) when the receiver account is non-consumer.

#### **COPIES OF CONSUMER OR CORPORATE AUTHORIZATIONS**

- Upon request, you must provide a copy of the customer's authorization to FOCUS Bank within five banking days.
- At any time, FOCUS Bank may test your ability to provide a copy of an authorization.

#### **CHANGING DATE OR AMOUNT OF DEBITS**

- ACH Rules require you to notify your debtors of any changes in date or amount debited under the following circumstances:
  - 7 calendar days' notice for a change of date (consumer and corporate).
  - 10 calendar days' notice for a change in the amount (consumer only).
- Sending the notice via U.S. Mail is acceptable.

## PRENOTES

- Prenotes are zero-dollar entries that precede the first live entry. The purpose of a prenote is to verify the account information.
- Prenotes are optional for you to send. However, if sent, prenote rules must be followed. A prenote must precede the first live entry by at least three banking days.
- If a Return or a Notification of Change related to the prenote is received timely, you must not transmit subsequent entries to the receiver's account until you have remedied the reason for the return entry or made the correction requested by the Notification of Change.
- The Receiving Bank is not required to validate the name of the payee on the prenote, although many do; they are only required to check the account number. You must understand there is still a risk if the subsequent entry debits or credits the wrong account (this is true for all originations, not just prenotes).

## NOTICE OF CHANGE

- When ACH information is incorrect, a Notification of Change "NOC" is sent by the Receiving Bank requesting that future entries contain correct information. ACH Rules require you to make the change within six banking days of receiving the information from FOCUS Bank.
- The Receiving Bank warrants that the information they provide is correct.
- FOCUS Bank will notify you of any NOCs received on your behalf.
- FOCUS Bank will pass any fines received to you for non-compliance.

## RECEIPT OF RETURN ENTRIES

- Returns must be processed by the Receiving Bank within 24 hours of settlement. Returns that are unauthorized beyond the 24 hours are the company's liability and any disputes may have to be settled outside the banking network. The Bank recommends that you view your account activity daily.
- An exception to the 24-hour rule is consumer unauthorized returns, which may be returned 60 days of posting.
- The use of consumer (PPD) or corporate (CCD) entry codes determines applicable ACH return rules.
- If the Receiving Bank receives a dispute claiming a debit was unauthorized, the Receiving Bank must get a signed Written Statement of Unauthorized Debit for the account holder. You may obtain a copy of that statement by requesting a copy through FOCUS Bank.
- The *Rules* established an Unauthorized Entry Fee that is designed to improve the ACH Network quality by reducing the number of ACH debits that are returned as unauthorized. The Originating Bank will be required to pay a fee to the Receiving Bank for any ACH debit returned due to a reason of unauthorized (return reason codes R05, R07, R10, R11, R29, and R51).
  - Upon the receipt of an R05, R07, R10, R11, R29, or R51, we may request a copy of the associated authorization.

## RETURN RATE REPORTING REQUIREMENTS

- FOCUS Bank is required to track the types and volume of incoming return entries for each originating customer.
- For customers that originate debit entries, FOCUS Bank is required to also track return percentages for various return categories which include:
  - Unauthorized Returns cannot exceed a return rate threshold of 0.5%, which include debit entries returned as R05, R07, R10, R11, R29, and R51.
  - Administrative Returns cannot exceed a return rate level of 3.0%, which include debit entries returned as R02, R03, and R04
  - Overall Returns cannot exceed a return rate level of 15%, which include all debit entries returned for any reason (excluding RCK entries).
- If any of the above listed return rate threshold/levels are exceeded, FOCUS Bank may contact you and request additional information to determine the reason for the high levels of debit entries being returned.

## REINITIATION OF RETURNED ENTRIES

- Reinitiation is the method permitted in the *Rules* by which a Returned Entry may be resubmitted. You may reinitiate a debit entry that was previously returned, only if:
  - the entry was returned as R01-Insufficient Funds or R09-Uncollected Funds,

- You must not reinitiate an entry that was returned as R01-Insufficient Funds or R09-Uncollected Funds more than two times following the return of the original entry. This gives the Originator a total of three attempts at debiting an account.
  - the entry was returned as R08-Payment Stopped and you received approval from the payee to re-send the entry, or
  - corrective action has been taken to remedy the reason for the return.
- The reinitiation must occur within 180 days of the date of the original entry.
- Reinitiated entries must be submitted as a separate batch that contains the words “RETRY PYMT” in the Company Entry Description field of the Company/Batch Header Record. The use of this description in the field notifies the payee that the entry relates to a previously returned entry.
- The contents of the Company Name, Company Identification, and Amount fields must be identical to the contents of the original entry. The contents of other fields should be modified only as necessary to correct an error or facilitate proper processing of the reinitiated entry.
- It is a violation of ACH Operating Rules to reinitiate the debit entry if a return is received for any other reason. You are prohibited to reinitiate a transaction that was returned as unauthorized. A new authorization must be obtained.

#### **REVERSALS (*can only be made under certain conditions*)**

- Reversals may only be made for the following reasons: (1) wrong dollar amount, (2) wrong account, (3) duplicate transaction, (4) unintended receiver, or (5) debited earlier than intended/credited later than intended.
- If a reversing entry must be made, please contact the Bank for instructions.
- When processing a reversal, the complete ACH file that was originally submitted must be reversed. The reversing entry must be for the full amount, must be sent within five banking days of original entry within 24 hours of discovering the error.
- For wrong account amount or wrong account reversing entries, a correcting entry must also be sent.
- The Receiving Bank is under no obligation to post the reversing debit if it overdraws the payee’s account or if the payee’s account is closed.
- A payee must be notified if a reversing entry debits his or her account. However, a payee does not need to authorize the reversing entry.

#### **WEBSITE SPOOFING**

- Website spoofing is the act of creating a fake website to mislead individuals into sharing sensitive information. Spoof websites are typically made to look exactly like a legitimate website published by a trusted organization.

##### **Prevention Tips:**

- Pay attention to the web address (URL) of websites. A website may look legitimate, but the URL may have a variation in spelling or use a different domain.
- If you are suspicious of a website, close it and contact the company directly.
- Do not click links on social networking sites, pop-up windows, or non-trusted websites. Links can take you to a different website than their labels indicate. Typing an address in your browser is a safer alternative.
- Only give sensitive information to websites using a secure connection. Verify the web address begins with “https://” (the “s” is for secure) rather than just http://.
- Avoid using websites when your browser displays certificate errors or warnings.

#### **PHISHING**

- Phishing is when an attacker attempts to acquire information by masquerading as a trustworthy entity in an electronic communication. Phishing messages often direct the recipient to a spoof website. Phishing attacks are typically carried out through email, instant messaging, telephone calls, and text messages (SMS).

##### **Prevention Tips:**

- Delete email and text messages that ask you to confirm or provide sensitive information. Legitimate companies don’t ask for sensitive information through email or text messages.

- Beware of visiting website addresses sent to you in an unsolicited message.
- Even if you feel the message is legitimate, type web addresses into your browser or use bookmarks instead of clicking links contained in messages.
- Try to independently verify any details given in the message directly with the company.
- Utilize anti-phishing features available in your email client and/or web browser.

#### **Fraud Prevention Measures**

- Limit user access to ACH Origination System (business online banking).
- Use a dedicated computer for your online financial transactions. Do not allow checking email or web browsing.
- Enforce segregation of duties: The same person should not be allowed to create and approve ACH Batch transactions.
- Prohibit sharing user logins, passwords, or tokens
- Monitor all transaction activity daily
- Immediately contact the bank when any suspicious transactions are found

#### **OFAC**

- The Office of Foreign Asset Control (OFAC) lists countries, groups, and individuals that U.S. companies are not allowed to send funds to or receive funds from.
- The Bank must protect itself by informing every customer that it is against the law to send debit or credit entries to OFAC blocked entities.

#### **BUSINESS DAYS**

FOCUS Bank will be closed on the following standard holidays observed by the Federal Reserve Bank. We will not accept any ACH Origination files for processing on these days or on Saturdays and Sundays.

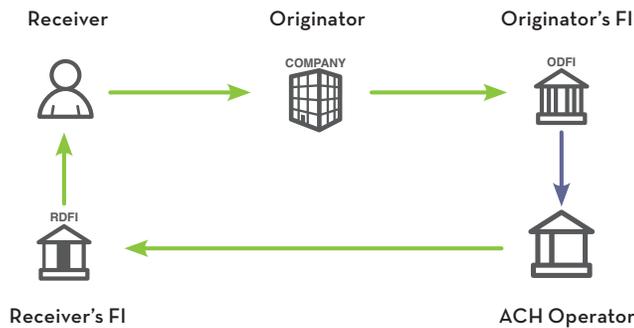
New Year's Day (January 1)  
 Martin Luther King's Birthday (Third Monday in January)  
 Presidents Day (Third Monday in February)  
 Memorial Day (Last Monday in May)  
 Juneteenth (June 19<sup>th</sup>)  
 Independence Day (July 4)  
 Labor Day (First Monday in September)  
 Columbus Day (Second Monday in October)  
 Veterans Day (November 11)  
 Thanksgiving Day (Fourth Thursday in November)  
 Christmas Day (December 25)

Note: If January 1, June 19, July 4, November 11, or December 25 falls on a Sunday, the next day (Monday) is a Federal Reserve Bank holiday. In general, if one of these holidays falls on a Saturday, FOCUS Bank will be open the preceding Friday.

#### **Cutoff Times**

**WHAT IS THE ACH NETWORK?**

The Automated Clearing House (ACH) Network is the backbone for the electronic movement of money and other related data, providing a safe, secure, reliable network for direct consumer, business and government payments. The ACH Network is governed by fair and equitable *Rules* that guide risk management and create certainty for all participants. As the migration from paper to electronic payment continues, the cost-effective ACH Network grows and enables innovation that strengthens the industry with creative payment solutions.



**WHO ARE THE ACH PARTICIPANTS?**

There are five key participants that contribute to the successful completion of an ACH transaction:

- The **Receiver** can be either an individual or a company that has authorized the Originator (your company) to credit or debit their account. An employee is the Receiver if their company is initiating a payroll credit. A business partner is the Receiver if the Originator is sending a credit to pay for goods or services.
- The **Originator** is the company or business that has been authorized by the Receiver to either credit or debit their account. Your company is the Originator when you are initiating credit transactions to an employee's account for payroll or when you are initiating debit transactions to a consumer or business account for payment of goods or services.
- The **Originating Depository Financial Institution (ODFI)** is the financial institution with which your company has a contractual relationship for ACH Services.
- The **ACH Operator** is the central clearing facility for ACH transactions, which could be the Federal Reserve (FedACH) or The Clearing House (EPN).
- The **Receiving Depository Financial Institution (RDFI)** is a financial institution with which the Receiver has an account relationship.

**ACCOUNT & RECEIVER VERIFICATIONS: PRENOTES VS. MICRO-ENTRIES**

Prenotifications (or “prenotes”) are optional non-monetary entries (\$0.00) used by an Originator to verify the Receiver’s account number at an RDFI is valid. Originators of prenotes should wait at least 3 banking days to transmit valued monetary entries to await any returns or notifications of change (NOC) sent within that timeframe.

Micro-Entries are optional offsetting credit and debit entries less than \$1 each (should not result in a Net Debit) sent at the same time to a Receiver’s account by an Originator with “ACCTVERIFY” as the company entry description. Receiver should see amounts on statement and report to Originator, who would consider this process to be successful or not.

**TRANSACTION CODES**

ACH entries may be directed to a variety of account types. Both credit and debit entries may be transmitted to demand accounts (a.k.a. checking, NOW and sharedraft), savings accounts and financial institution general ledger accounts. Only credit entries

may be transmitted to loan accounts, unless a debit entry with “REVERSAL” as Company Entry Description is sent within 5 days of the settlement to correct an erroneous entry.

Demand (Checking) Credits		Savings Credits		Financial Institution General Ledger Credits	
Code	Description	Code	Description	Code	Description
21	Notification of Change or Return	31	Notification of Change or Return	41	Notification of Change or Return
22	Deposit	32	Deposit	42	Deposit
23	Prenotification	33	Prenotification	43	Prenotification
24	Zero dollar with remittance data	34	Zero dollar with remittance data	44	Zero dollar with remittance data

Demand (Checking) Debits		Savings Debits		Financial Institution General Ledger Debits	
Code	Description	Code	Description	Code	Description
26	Notification of Change or Return	36	Notification of Change or Return	46	Notification of Change or Return
27	Payment	37	Payment	47	Payment
28	Prenotification	38	Prenotification	48	Prenotification
29	Zero dollar with remittance data	39	Zero dollar with remittance data	49	Zero dollar with remittance data

Loan Credits		Loan Debits (Reversal Only)	
Code	Description	Code	Description
52	Loan Account Credit	55	Loan Account Debit (Reversal)

## WHAT IS AN ACH APPLICATION?

ACH applications are payment types used by Originators, such as your company, to identify ACH debit and/or credit entries transmitted to a corporate or consumer account at the RDFI. Each ACH application is identified and recognized by a specific

Standard Entry Class (SEC) code. The SEC code also identifies the specific record layout that will be used to carry the payment and payment-related information. Refer to Appendix 3 of the *ACH Rules* for specific formatting requirements.

ACH APPLICATION	SEC CODE	APPLICATION USE	DEBIT/CREDIT	CONSUMER/CORPORATE	AUTHORIZATION REQUIREMENT
Accounts Receivable Entries	<b>ARC</b>	Convert checks received via the U.S. mail, drop box or manned bill payment location and collect the funds via the ACH Network. Check must be in an amount of \$25,000 or less.	Debit	Consumer/Corporate	Notification
Back Office Conversion	<b>BOC</b>	Convert checks received at the point-of-sale or manned bill payment location to ACH transactions in the back office. Check must be in an amount of \$25,000 or less.	Debit	Consumer/Corporate	Notification
Corporate Credit or Debit	<b>CCD</b>	Make regular payments or distribute or consolidate funds between corporate entities.	Credit or Debit	Corporate	Agreement
Corporate Trade Exchange	<b>CTX</b>	Transfer funds within a trading partner relationship, including payment-related information. CTX payments may have up to 9,999 attached Addednda records	Credit or Debit	Corporate	Agreement
International ACH Transactions	<b>IAT</b>	Entry that involves a financial agency's office that is not located in the territorial jurisdiction of the U.S.	Credit or Debit	Consumer/Corporate	For Consumer credit entries: Oral or non-written means; For Consumer debit entries: Written; For Corporate entries: Agreement
Point-of-Sale	<b>POS</b>	ACH entry typically initiated by the use of a merchant-issued plastic card to pay an obligation at the point-of-sale.	Credit or Debit	Consumer	Written
Point-of-Purchase	<b>POP</b>	Convert checks received at the point-of-sale or manned bill payment location to ACH transactions upon receipt. Check must be in an amount of \$25,000 or less.	Debit	Consumer/Corporate	Notification and Written
Direct Deposit	<b>PPD</b>	Payroll, expense reimbursement, etc.	Credit	Consumer	Oral or non-written means
Direct Payment	<b>PPD</b>	Preauthorized bill payment.	Debit	Consumer	Written
Re-presented Check Entries	<b>RCK</b>	Collect funds via the ACH Network for consumer checks returned insufficient or uncollected funds. Check must be in an amount less than \$2,500.	Debit	Consumer	Notification
Telephone-Initiated Entries	<b>TEL</b>	ACH entry initiated pursuant to an oral authorization obtained via the telephone.	Debit	Consumer	Verbal or Standing
Internet-Initiated/Mobile Entries	<b>WEB</b>	ACH entry initiated pursuant to an authorization obtained via the Internet or mobile device.	Debit	Consumer	Similarly Authenticated

- Written authorizations may be in accordance with the Electronic Signatures in Global and National Commerce (E-Sign) Act. Electronic signatures include, but are not limited to, digital signatures and security codes.
- An RDFI may request, in writing, proof of authorization for all entries. For **consumer** entries, your company **must** provide a copy of the authorization. For **corporate** entries, you are required to provide your ODFI with either a copy of the authorization or contact information, including a contact name and phone number or email address for inquiries. Your ODFI must be able to provide proof of authorization for all entries to the RDFI within 10 banking days of the RDFI's request.

## WHAT IS AN ACH RETURN?

An ACH return is an ACH entry that the RDFI is unable to post for reasons defined by the return codes listed in the table below. An RDFI may use the return process for valued ACH entries as well as prenotifications (non-monetary entries). The RDFI must transmit the return in time for your ODFI to receive it by opening of business on the second banking day following the Settlement

Date of the original entry. Some return reasons allow extended deadlines. Your company should receive prompt advice of ALL return entries from your ODFI with a code that describes the reason for the return. The table below indicates the appropriate action that should be taken depending upon the reason for each ACH return.

REASON FOR RETURN	RETURN CODE	SEC CODE	RETURN TIMEFRAME	ACTION BY ORIGINATOR
<b>Insufficient Funds</b> —Available balance not sufficient to cover amount of debit entry.	R01	ALL	2 Banking Days	May initiate a new ACH entry; must remain within reinitiation limits outlined in Article 2 of the <i>ACH Rules</i> and be reinitiated within 180 days of the Settlement Date of the original entry.
<b>Account Closed</b> —Previously active account has been closed.	R02	ALL	2 Banking Days	Stop initiation of entries. Contact customer to obtain authorization for another account.
<b>No Account</b> —Account number structure is valid, but doesn't match individual or open account.	R03	ALL	2 Banking Days	Stop initiation of entries. Customer should be contacted for correct account information.
<b>Invalid Account</b> —Account number structure not valid; edit of check digit or number failed.	R04	ALL	2 Banking Days	Stop initiation of entries until account number/structure is corrected.
<b>Unauthorized Debit to Consumer Account Using Corporate SEC Code</b> —A debit entry that uses a corporate SEC code was transmitted to a consumer account but was not authorized by the consumer.	R05	CCD, CTX	60 Calendar Days	Stop initiation of entries.
<b>ODFI Request for Return</b> —ODFI requested that the RDFI return an entry.	R06	ALL	Undefined	Accept requested return.
<b>Authorization Revoked</b> —Consumer who previously authorized an entry claims authorization has been revoked.	R07	ALL but ARC, BOC, POP, or RCK	60 Calendar Days	Stop initiation of entries until new consumer authorization is obtained. Depending upon the terms of the original authorization, your company may have recourse for collection outside the ACH Network.
<b>Payment Stopped</b> —The customer has requested the stop payment of a specific ACH debit entry.	R08	ALL	2 Banking Days	Contact the customer to identify the reason for the stop payment and obtain authorization before reinitiating the entry.
<b>Uncollected Funds</b> —Sufficient ledger balance exists, but value of uncollected items brings available balance below amount of debit entry.	R09	ALL	2 Banking Days	May initiate a new ACH entry; must remain within limits for reinitiating entries outlined in Article 2 of the <i>ACH Rules</i> and be reinitiated within 180 days of the Settlement Date of the original entry.
<b>Customer Advises Not Authorized</b> —No authorization provided by customer.	R10	ALL but CCD or CTX	60 Calendar Days	Stop initiation of entries.
<b>Customer Advises Entry Not in Accordance with Terms of the Authorization</b> —Authorization obtained, but error in payment (e.g. wrong amount; debit date before authorized; incomplete transaction; improper source document or exceeds reinitiation attempts).	R11	ALL but CCD or CTX	60 Calendar Days	Your company may initiate a new entry to correct the underlying error without obtaining a new authorization. Corrected entry must be originated within 60 days of the Settlement Date of the R11 return entry.
<b>Account Sold to Another DFI</b> —Account has been sold to another financial institution.	R12	ALL	2 Banking Days	Stop initiation of entries. Contact customer to obtain correct routing number information for initiation of subsequent entries.

## ACH RETURNS (CONT.)

REASON FOR RETURN	RETURN CODE	SEC CODE	RETURN TIMEFRAME	ACTION BY ORIGINATOR
<b>Account Frozen/Entry Returned Per OFAC Instruction</b> —Access to the account is restricted due to action by RDFI or by legal action.	<b>R16</b>	ALL	2 Banking Days	Stop initiation of entries. Terms of authorization may offer recourse outside the ACH Network. OFAC may have instructed the payment be returned.
<b>File Edit Record Criteria/Entry with Invalid Account Number Initiated Under Questionable Circumstances /Improperly-Initiated Reversal</b> —Fields edited by the RDFI cannot be processed or RDFI suspects payment may be fraudulent or initiated under false pretenses.	<b>R17</b>	ALL	2 Banking Days	Identify and correct errors prior to initiation of further entries. Errors are identified in the Addenda Information field of the Addenda Record. If this field contains 'QUESTIONABLE,' investigate validity of transaction.
<b>Non-Transaction Account</b> —RDFI policies or regulations restrict activity to account indicated.	<b>R20</b>	ALL	2 Banking Days	Stop initiation of entries. Contact customer for new account information.
<b>Credit Entry Refused by Receiver</b> —Customer declines transaction because amount is inaccurate, results in overpayment, account is in litigation or Originator is not known to the Receiver.	<b>R23</b>	ALL CREDIT ENTRIES	Dependent Upon Notification by Customer	Obtain customer authorization prior to reinitiating the entry.
<b>Duplicate Entry</b> —Entry is a duplication. The trace number, date, dollar amount, etc. match another entry.	<b>R24</b>	ALL	2 Banking Days	If entry is a duplication, accept the return. If the entry has already been reversed, your company should work with your ODFI to contact the RDFI to determine a solution.
<b>Corporate Customer Advises Not Authorized</b> —Corporate customer has notified RDFI that a specific entry is not authorized.	<b>R29</b>	CCD, CTX	2 Banking Days	Stop initiation of entries until subsequent authorization has been obtained. If a valid authorization exists, your company may have recourse outside the ACH Network.
<b>Permissible Return Entry</b> —ODFI agrees on behalf of the Originator to accept a return after the deadline for an unauthorized corporate entry.	<b>R31</b>	CCD, CTX	Undefined	Accept return as agreed upon with RDFI. If your company or ODFI has not given permission for the untimely return, the return may be dishonored as R70.
<b>Source Document Presented for Payment</b> —The source document to which an ARC, BOC or POP entry relates has also been presented for payment.	<b>R37</b>	ARC, BOC, POP	60 Calendar Days	Accept return. The source document (i.e. check) may not be presented for payment if ACH debit is initiated.
<b>Stop Payment of Source Document</b> —A Stop Payment has been placed on the source document to which the ARC or BOC entry relates.	<b>R38</b>	ARC, BOC	60 Calendar Days	Contact the customer to identify the reason for stop payment and obtain authorization from the customer before reinitiating the entry.
<b>Improper Source Document/Source Document Presented for Payment</b> —The RDFI determines the source document used for the ARC, BOC or POP entry is not an eligible item or was presented for payment.	<b>R39</b>	ARC, BOC, POP	2 Banking Days	Stop initiation of entries.
<b>State Law Affecting RCK Acceptance</b> —RDFI is located in a state that has not adopted Revised Article 4 of the UCC or RDFI is located in a state that requires all canceled checks to be returned to the Receiver.	<b>R50</b>	RCK	2 Banking Days	Stop initiation of entries.
<b>Item is Ineligible, Notice Not Provided, Signatures Not Genuine, Item Altered or Amount of RCK Not Accurately Obtained from the Item.</b>	<b>R51</b>	RCK	60 Calendar Days	Do not reinitiate the entry. Your company may attempt collection of item outside the ACH Network.
<b>Stop Payment on Item</b> —A Stop Payment has been placed on the item to which the RCK entry relates.	<b>R52</b>	RCK	60 Calendar Days	Contact the customer to identify the reason for stop payment before reinitiating the entry.

- Your company should immediately stop initiation of entries returned using R07 or R10. Disagreements regarding authorization should be handled OUTSIDE the ACH Network.
- Reinitiated payments must contain RETRY PYMT in the Company Entry Description field.
- RDFIs must obtain a signed Written Statement from the Receiver that details the claim before returning the entry to your ODFI when using return reason codes R05, R07, R10, R11, R37, R51, and R53. Your company may request a copy of this Statement for up to one year from the Settlement Date of the return. The RDFI has 10 banking days from the written request to provide a copy of the Written Statement.
- Your company must maintain a return rate below 0.5% for entries returned as unauthorized (R05, R07, R10, R11, R37, R51, and R53).
- Your company may reverse an entry/file up to 5 banking days after the Settlement Date of entry/file for the following reasons: Duplicate file or entry, Payment in wrong amount, Payment destined to wrong Receiver, and Error in Effective Entry Date.
- Reversals may **NOT** be done when an Originator or Third-Party Sender failed to fund the entry/file or when you are outside of the 5 banking days to do so.

## WHAT IS A DISHONORED RETURN?

A dishonored return is an ACH return entry transmitted by your ODFI in response to a returned ACH entry that was mishandled by the RDFI.

Dishonored returns may either be initiated by your company or your ODFI. If your ODFI receives a misrouted return, they will initiate a dishonored return. However, if your ODFI receives an untimely return, the decision to dishonor the return may be made by your company. Depending on the software features of your ODFI's system, your company may be allowed to give prior instructions in regard to dishonoring returns.

To dishonor a return, your ODFI, on your company's behalf, must transmit a dishonored return within **5 banking days** of the Settlement Date of the return entry. For additional information regarding Dishonored Returns, refer to the *ACH Rules*.

DISHONOR CODE	REASONS FOR DISHONORING A RETURN
R61	<b>Misrouted Return</b> —Return was received by wrong financial institution due to incorrect routing number.
R62	<b>Return of Erroneous or Reversing Debit</b> —The use of the reversal process resulted in, or failed to correct, an unintended credit to the Receiver.
R67	<b>Duplicate Return</b> —More than one return entry has been sent for the same entry.
R68	<b>Untimely Return</b> —The return entry was not sent within the appropriate return timeframe.
R69	<b>Field Errors</b> —Return contained one or more input errors. Codes will be used in the Addenda Record to indicate the field(s) in error. Codes to be used are: 01-Account Number 02-Trace Number 03-Amount 04-Individual ID 05-Transaction Code 06-Company ID 07-Invalid Effective Entry Date
R70	<b>Permissible Return Not Accepted/Return Not Requested by the ODFI</b> —RDFI initiated a return as “R31—Permissible Return Entry” without ODFI permission or “R06-Returned per ODFI’s Request” when the ODFI did not make such a request.

## WHAT IS A CONTESTED DISHONORED RETURN?

A contested dishonored return is an ACH return entry transmitted by an RDFI to your ODFI in response to a dishonored return entry that the RDFI disputes. A contested dishonored/corrected return must be transmitted within **2 banking days** after the Settlement Date of the dishonored return entry.

Your ODFI must accept a contested dishonored/corrected return entry transmitted by the RDFI that complies with the *ACH Rules*. For additional information regarding Contested Dishonored Returns, refer to the *ACH Rules*.

CONTESTED DISHONORED CODE	REASONS DISHONORED RETURNS ARE CONTESTED
R71	<b>Misrouted Dishonored Return</b> —Dishonored Return was received by wrong financial institution due to incorrect routing number.
R72	<b>Untimely Dishonored Return</b> —Dishonored Return was sent outside of the 5 banking day return time frame.
R73	<b>Timely Original Return</b> —Return was sent within the prescribed return timeframe, but ODFI erroneously dishonored it.
R74	<b>Corrected Return</b> —Return was dishonored as “R69 – Field Errors,” and RDFI corrected the errors.
R75	<b>Return Not a Duplicate</b> —Return was dishonored as “R67 – Duplicate Return,” but return was not a duplicate.
R76	<b>No Errors Found</b> —Return was dishonored as “R69 – Field Errors,” but the RDFI could not identify noted errors.
R77	<b>Non-Acceptance of R62 Dishonored Return</b> —RDFI returned both the erroneous entry and related reversing entry; or RDFI was unable to recover the funds related to the entry in error from the Receiver.

## WHAT IS A NOTIFICATION OF CHANGE (NOC)?

An NOC is a non-monetary entry transmitted by an RDFI to notify your ODFI that previously valid information contained in a posted entry has become outdated or is erroneous and should be changed. NOCs allow the RDFI to return information to the ODFI and Originator without returning the value of the entry. Many NOCs are the result of a merger or consolidation at the RDFI, which requires changes in Receiver account information.

When the RDFI is able to recognize the intended account, NOCs provide a means for the RDFI to post the entry to the Receiver's account and to notify your company of necessary changes. Upon receipt of an NOC, your ODFI must report NOC information to you. You are required to make the changes noted in the NOC. For additional information regarding NOCs, refer to the *ACH Rules*.

CHANGE CODES USED BY RDFI	DESCRIPTION OF ERROR	ACTION REQUIRED BY ORIGINATOR
C01	<b>Account Number</b> —The account number is incorrect or is formatted incorrectly.	Change the Receiver's account number record so the correct information is entered.
C02	<b>Routing Number</b> —A once valid routing number must be changed.	Change the Receiver's financial institution routing number so the correct information is entered.
C03	<b>Routing Number and Account Number</b> —The routing number and account number are incorrect.	Change the Receiver's financial institution routing number and account number so the correct information is entered.
C05	<b>Transaction Code</b> —An incorrect transaction code is causing the entry to be routed to the wrong type of account.	Change the type of account. The account type is indicated on the ODFI's report by a two-digit transaction code. Contact your ODFI if clarification is needed.
C06	<b>Account Number and Transaction Code</b> —The account number is incorrect and the transaction is being routed to the wrong type of account.	Change the Receiver's account number and type of account so the correct information is entered.
C07	<b>Routing Number, Account Number and Transaction Code</b> —The routing number, account number and account type are incorrect.	Change the Receiver's financial institution routing number, account number and type of account so the correct information is entered.
C08	<b>Incorrect Individual ID Number</b> —Receiving DFI ID in an IAT is incorrect.	Enter correct Receiving DFI ID in first 34 positions of the Corrected Data Field.
C09	<b>Individual ID Number</b> —Individual ID Number is incorrect.	Change the Individual ID Number so the correct information is entered.
C13	<b>Addenda Format Error</b> —The Entry Detail Record was correct, but the information in the Addenda Record was unclear or formatted incorrectly (i.e. not formatted in ANSI or Nacha-endorsed banking conventions).	Review the formatting in the Addenda Record that accompanied the original ACH entry to determine errors and make corrections using only ANSI standards or Nacha-endorsed banking conventions.
C14	<b>Incorrect SEC Code for Outbound IATs</b> —Used by Gateway to let ODFI know that future entries should be identified as IAT.	IAT in the first three positions of the Corrected Data Field identifies the payment as international. Further payments must use the IAT format.

- RDFIs choosing to send an NOC are required to do so within 2 banking days of the original ACH entry (except for mass changes). When an RDFI is faced with the need to make mass changes, they often will contact companies that initiate large volumes of ACH payments. Your company and the RDFI may negotiate an alternative method for the processing efficiencies that may be better facilitated outside the regular NOC process.
- An RDFI that transmits an NOC warrants the information contained in the NOC is correct. RDFIs are liable for the accuracy of account information indicated in the NOC.
- Your ODFI is required to report NOC information to your company no later than 2 banking days from the Settlement Date of the NOC and are required to report minimum NOC information as outlined in Article 2 of the *ACH Rules*.
- For recurring payments, the *ACH Rules* require your company to make the requested changes within 6 banking days of the receipt of the NOC or prior to the initiation of another ACH entry. Changes related to one-time payments may be made at your company's discretion.

## WHAT IS A SAME DAY ACH PAYMENT?

A Same Day ACH payment is a credit, debit or non-monetary entry that will process and settle in the same day. Same Day ACH provides an optional enhancement designed to address gaps in traditional payment methods. The *ACH Rules* require all RDFIs and Receivers to accept Same Day ACH.

## SAME DAY ACH ELIGIBILITY REQUIREMENTS

In order to be eligible for same day processing and settlement, each ACH credit or debit must meet all of the following criteria:

- \$1,000,000 or less per entry
- Any SEC codes except IAT
- Transmitted by the ODFI to its ACH Operator prior to 4:45 p.m. ET

If an entry fails to meet any one of the criteria, it will not be eligible for same day processing and settlement. For example, if your company tries to originate (\$4,000,000 after March 18, 2022) CCD credit, the ACH Operator will not assign a same day Settlement Date because the amount exceeds the per-transaction limit.

The only identifier of a Same Day ACH entry is the **Effective Entry Date** in the Company/Batch Header Record. The Effective Entry Date is the date your company intends for a batch of entries to settle. Therefore, if you intend for a payment to qualify for same day settlement, the Effective Entry Date should be the same day as the date on which the entry is transmitted to your ODFI.

Since traditional one-day and two-day payments are still available, those payments should have an Effective Entry Date that is one or two days in the future. However, if your company enters a stale or invalid date in the Effective Entry Date field, the entry will settle at the earliest available opportunity, which could occur on the same day.

## CAN MY COMPANY OPT-OUT OF RECEIVING SAME DAY ACH?

The *ACH Rules* require all RDFIs and Receivers, including your company to accept Same Day ACH payments.

## SAME DAY ACH AND ACCOUNT MANAGEMENT

Your company is encouraged to monitor its accounts throughout the day. The receipt of Same Day ACH credits may provide more investment opportunities while Same Day ACH debits could

potentially cause your account to be overdrawn. Your company should also be monitoring for unauthorized debits.

## HOW CAN MY COMPANY TAKE ADVANTAGE OF SAME DAY ACH?

Primary uses of Same Day ACH include urgent business to consumer payments, such as emergency payroll or dispersing other urgent claims. Same Day business to business credits will not only allow for faster funds delivery, but also faster delivery of critical payment-related information.

Other uses include using Same Day ACH to receive payment prior to delivering a service or product and providing a solution for expedited bill payments. Same Day payments can also benefit cash management practices by allowing for same day transfers between accounts. Contact your financial institution to learn more about whether Same Day ACH is appropriate for your business and about its Same Day ACH product offering.

ACH Schedules and Funds Availability

Processing Window	ODFI Deadline	RDFI Receipt Time	Settlement	Credit Funds Availability Requirement
First Same Day ACH Window	10:30 a.m. ET	12 noon ET	1:00 p.m. ET	1:30 p.m. RDFI Local Time
Second Same Day ACH Window	2:45 p.m. ET	4:00 p.m. ET	5:00 p.m. ET	5:00 p.m. RDFI Local Time
Third Same Day ACH Window	4:45 p.m. ET	5:30 p.m. ET	6:00 p.m. ET	End of Processing Day
Next Day ACH	2:15 a.m. ET	Throughout Banking day according to ACH Operator schedule — last file 6:00 a.m. ET	8:30 a.m. ET	On Settlement Date
	If received prior to 5:00 p.m. RDFI Local Time		8:30 a.m. ET	9:00 a.m. RDFI Local Time



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