

FUNDS AVAILABLE

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	RDFI DEADLINE
Insufficient Funds	R01	Available balance is not sufficient to cover the dollar value of the debit entry.	ALL	24Hrs
Uncollected Funds	R09	Sufficient book/ledger balance exists, but value of uncollected items brings available balance below amount of debit entry.	ALL	24Hrs
Account Frozen/Entry Returned Per OFAC Instruction	R16	Funds unavailable due to action by the RDFI or by legal action, or OFAC has instructed the RDFI or Gateway to return the entry.	ALL	24Hrs

ACCOUNT REJECTS

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	RDFI DEADLINE
Account Closed	R02	Previously active account has been closed.	ALL	24Hrs
No Account/Unable to Locate Account	R03	Account number structure is valid, but doesn't match individual identified in entry or is not an open account. (May not be used to return ARC, BOC or POP entries simply because they do not contain an individual name.)	ALL	24Hrs
Invalid Account Number	R04	Account number structure not valid. Edit of check digit or number of account digits failed.	ALL	24Hrs
Non-Transaction Account	R20	RDFI policies/regulations restrict activity to account indicated.	ALL	24Hrs

AUTHORIZATION

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	RDFI DEADLINE
Unauthorized Debit To Consumer Account Using Corporate SEC Code	R05	A debit entry that was transmitted to a consumer account of the Receiver was not authorized by the Receiver. Written Statement is required.	CCD & CTX to a consumer account	60 Days
Authorization Revoked by Customer	R07	Consumer who previously authorized entries has revoked authorization with the Originator. Written Statement is required.	PPD, TEL & WEB	60 Days
Payment Stopped	R08	The Receiver has requested the stop payment of a specific ACH debit entry. Stop Payment form recommended.	ALL	24Hrs
Customer Advises Unauthorized, Improper, Ineligible or Part of an Incomplete Transaction	R10	Receiver advises that an entry is not authorized (or notice was not provided), amount is different than authorized, debit date is earlier than authorized, improper source document was used for check conversion, entry is part of an incomplete transaction, or debit entry has been improperly reinitiated. Written Statement is required.	ALL DEBIT ENTRIES, except CCD, CTX, & RCK	60 Days
Customer Advises Entry Not in Accordance with Terms of the Authorization	R11	Authorization obtained, but error in payment (e.g. wrong amount; debit date before authorized; incomplete transaction; improper source document or exceeds reinitiation attempts). Written State-ment is required.	ARC, BOC, IAT, POP, POS, PPD, TEL, & WEB	60 Days
Corporate Customer Advises Not Authorized	R29	Receiver has notified RDFI that corporate debit entry transmitted to a corporate account is not authorized.	CCD & CTX	24Hrs
Permissible Return Entry	R31	ODFI agrees to accept a return after the "24-hour" deadline of a corporate entry reported unauthorized.	CCD & CTX	Negotiated

DEATH OF...

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	RDFI DEADLINE
Representative Payee Deceased	R14	Representative Payee is deceased or unable to continue in that capacity; cease future payments. (Beneficiary may be entitled to future deposits through another account.) Used primarily for the return of federal government benefits.	Consumer Only	24Hrs
Beneficiary or Account Holder Deceased	R15	The beneficiary entitled to benefits or account holder (other than Representative Payee) is deceased; cease future payments. Used primarily for the return of federal government benefits.	Consumer Only	24Hrs

SPECIAL CONCERN

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	RDFI DEADLINE
Credit Entry Declined by Receiver	R23	Receiver declines transaction because amount is inaccurate, credit Entry that is refused by the Receiver (Originator is not known to the Receiver)	Consumer Only	24Hrs after receiver notifies RDFI
Return of XCK Entry	R33	RDFI determines at its discretion to return a Destroyed XCK 60 Days	XCK	60 Days

ERRONEOUS ENTRIES

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	RDFI DEADLINE
Returned per ODFI's Request	R06	ODFI has requested RDFI to return an entry.	ALL	Negotiated
File Record Edit Criteria/ Entry with Invalid Account Number Initiated Under Questionable Circumstances	R17	Fields edited by the RDFI cannot be processed. The field causing the error should be identified in the Addenda Information field of the Addenda Record. RDFI believes the transaction was initiated under questionable circumstances; 'QUESTIONABLE' should be identified in the Addenda Information field. Under the IRS Refund Return Opt-In Program, RDFIs can return suspicious or questionable tax refund credits using R17. If an RDFI participates in this program, it can return a tax refund credit for 60 days after the Settlement Date of the income tax refund.	ALL	24 Hrs*
Invalid Company Identification	R21	Number used in the Company ID field is incorrect.	CIE	24 Hrs
Invalid Individual Identification Number	R22	The ID number used to identify the account is not correct.	CIE,MTE	24 Hrs
Duplicate Entry	R24	Entry is a duplicate; trace number, date, dollar amount and/ or other data matches another entry.	ALL	24 Hrs

HELPFUL HINTS

- Return ACH entries timely to meet required deadlines. For "24-hour" return reason codes, the ODFI must receive the return by opening of business on the second banking day after the Settlement Date of the original entry. Returns sent electronically on either the Settlement Date or the day after the Settlement Date may meet this deadline. For "60-day" returns, the ODFI must receive the return by the opening of business on the banking day following the 60th calendar day after the Settlement Date of the original entry
- Contact an ODFI if an ACH entry was returned with the wrong return reason code or to ask if the ODFI will allow for the return of the original entry using return reason code "R06 - Returned per ODFI's Request"
- Debit entries returned as "R01 - Insufficient Funds" or "R09 - Uncollected Funds" must be re-initiated within 180 days of the Settlement Date of the original entry
- An RDFI may not return an entry because the Receiver is not pleased with the goods or services. Any dispute over goods and services must be handled outside the ACH Network

WHAT IS A DISHONORED RETURN ENTRY?

An ODFI has the right to dishonor a return entry received from the RDFI if the entry was found to be returned outside of the established return timeframes, or if the information in the return entry was incomplete or incorrect. Dishonored return entries must be transmitted within 5 banking days after the Settlement Date of the return entry and are identified through the use of Dishonored Return Reason Codes, which are listed below.

DISHONORED RETURN CODE (ODFI)	DISHONORED RETURN CODE DEFINITION	RDFI RESPONSE	SPECIAL CONSIDERATION
R61	Misrouted Return -Return was received by the wrong financial institution due to an incorrect routing number.	Return Original Entry Using Correct RTN	Obtain correct routing number from original entry detail. Since return may now be untimely, ODFI contact is suggested.
R62	Return of Erroneous or Reversing Debit -The use of the reversal process resulted in, or failed to correct, an unintended credit to the Receiver.	Contest as R77 or Accept	Verify whether both the erroneous entry and the related reversing entry were returned, or the funds related to the entry in error were not recoverable from the Receiver.
R67	Duplicate Return -More than one return entry has been sent for the same entry.	Contest as R75 or Accept	Verify whether return was a duplicate. If not, then contest as indicated. If a duplicate, accept the Dishonored Return.
R68	Untimely Return -Return entry did not meet return deadline.	Contest as R73 or Accept	Verify timeliness of return. If return was timely, contest as indicated. If return was untimely, accept the Dishonored Return.
R69	Field Errors -Return contained one or more input errors. Addenda Record indicates field(s) in error: 1- Account Number 2- Trace Number 3- Amount 4- Individual ID 5- Transaction Code 6- Company ID 7- Effective Entry Date	Correct and Return as R74 or Contest as R76	Verify source of error(s) from original entry detail. Enter correct information in appropriate fields of Contested Dishonored Return and contest as R74. If no errors were found, contest as R76.
R70	Permissible Return Not Accepted/Return Not Requested-RDFI initiated a return as "R31-Permissible Return Entry" without ODFI permission or as "R06- Returned per ODFI's Request" when the ODFI did not request such a return.	Contact ODFI Regarding Discrepancies	Use of R31 and R06 must be negotiated with the ODFI. Contact your Payments Association for clarification.

HELPFUL HINTS

- Verify timeliness of Dishonored Returns. The ODFI must initiate a Dishonored Return within 5 banking days from the Settlement Date of the return. Contested Dishonored Returns must be initiated by the RDFI no later than 2 banking days from the Settlement Date of the Dishonored Return.
- Verify returns being dishonored were originated from your financial institution. Misrouted Dishonored Returns should be contested with Return Code "R71-Misrouted Dishonored Return."
- Obtain correct information for Contested Dishonored Returns from original entry detail report when using "R74-Corrected Return."
- Don't initiate a new return when it was dishonored as duplicate. Contest the Dishonored Return with "R75-Original Return Not A Duplicate."
- Don't use the Original Entry Trace Number reported in the Dishonored Return when an "R69 - Field Errors" is received. The addenda reports the trace number as entered in the "incorrect" return.

WHAT IS A CONTESTED DISHONORED RETURN ENTRY?

An RDFI may dispute a Dishonored Return entry received from the ODFI. Contested Dishonored Return entries must be transmitted within 2 banking days after the Settlement Date of the Dishonored Return entry and are identified by Contested Dishonored Return Reason Codes (listed below). An ODFI may not contest a Contested Dishonored Return through the ACH Network. Any further action concerning the entry must be pursued outside of the ACH Network.

WHAT IS A CORRECTED RETURN ENTRY?

An RDFI receiving a Dishonored Return entry indicating the return entry contained incorrect information may transmit a Corrected Return entry. This must be done within 2 banking days of the Settlement Date of the Dishonored Return entry.

CONTESTED DISHONORED RETURN CODE (RDFI)	DEFINITION
R71	Misrouted Dishonored Return -ODFI misrouted the Dishonored Return to the wrong RDFI (incorrect routing number).
R72	Untimely Dishonored Return -ODFI has not sent the Dishonored Return Entry by the return deadline.
R73	Timely Original Return -RDFI claims the original return was sent within the timeframe designated in the ACH Rules.
R74	Corrected Return -RDFI is correcting a return which was dishonored as "R69-Field Errors" because it contained incomplete or incorrect information.
R75	Original Return Not a Duplicate -RDFI claims original return entry is not a duplicate of an entry previously returned by the RDFI; used to dishonor return reason code "R67-Duplicate Return."
R76	No Errors Found -RDFI claims the original return entry did not contain the errors indicated by the ODFI in the Dishonored Return entry "R69-Field Errors"
R77	Non-Acceptance of R62 Dishonored Return -RDFI returned both the erroneous entry and related reversing entry, or the RDFI was unable to recover the funds related to the entry in error from the Receiver.

COMMON QUESTIONS AND ANSWERS ABOUT DISHONORED RETURNS

Q: I received an R69; How can I determine what is wrong?

A: Look in the Addenda Record to see the code(s) that indicates the specific error(s).

Q: Should the ODFI continue to send Dishonored Returns for the same item?

A: No. Under the ACH Rules, the RDFI has the last right of return. Once an RDFI initiates a Contested Dishonored Return, the ODFI may only respond outside the ACH processing system. Call your Payments Association for assistance.

Q: I'm not sure I have the right to contest a Dishonored Return. Who can help me figure this out?

A: The ACH Operator can help you identify processing dates (and data) of the original return and Payments Associations can help you interpret your financial institution's rights under the ACH Rules.

Q: I've incurred a loss as a result of a Dishonored Return. Do I have any further recourse?

A: Yes. In some cases, the RDFI may charge the item against the customer's account. Consult your legal counsel.

WHAT IS AN ACH OPERATOR REJECT?

When an ACH Operator receives an entry or entry data that does not meet the acceptance criteria of ACH record formatting specifications, it will either return the entry or reject the entire batch or file containing the entry. Fields are subject to edit by the ACH Operator and contain data critical for posting of an ACH entry. Rejected entries are identified through the use of ACH Operator Return Reason Codes, which are listed below.

REASON FOR RETURN	DESCRIPTION	REASON(S) FOR USE OF THE REJECT CODE
R13	Invalid ACH Routing Number Date	Entry contains an RDFI or Gateway Identification that is not a valid ACH Routing Number.
R18	Improper Effective Entry	Effective Entry Date of a credit entry is beyond the 2 banking day processing window. Effective date of a debit entry is beyond the 1 banking day processing window.
R19	Amount Field Error	Amount field is non-numeric; is not zero in non-valued entry (i.e., prenote, DNE, ENR, NOC, Refused NOC or zero dollar entry); is zero in a valued ACH transaction format; or is greater than \$25,000 for ARC, BOC, and POP entries.
R25*	Addenda Error	An error(s) exists in the Addenda Record in regard to the application of codes, incorrect values, addenda content or required formatting standards (i.e., ANSI or Nacha-endorsed banking convention).
R26*	Mandatory Field Error	An error exists in a field that is mandatory for ACH processing.
R27*	Trace Number Error	Original Entry Trace Number is not present in the Addenda Record of an automated return or the trace number disagrees with the previous entry.
R28	Routing Number Check Digit Error	The check digit for a routing number is invalid.
R30	RDFI Not Participant in Check Truncation Program	A check truncation entry is being directed to a non-participating RDFI. Routing number is incorrect for a check truncation entry.
R32	RDFI Non-Settlement	RDFI is unable to settle the entry.
R34	Limited Participation DFI	RDFI's participation has been limited by a federal or state supervisor.
R35	Return of Improper Credit Entry	A debit entry was originated that is not permitted for a Customer-Initiated Entry (CIE) or a loan transaction.
R36	Return of Improper Debit Entry	A credit entry was originated that is not permitted for ARC, BOC, POP, RCK, TEL, orXCK.

*Refer to Appendix 4 of the ACH Rules for a detailed listing of error conditions or contact your ACH Operator for specific details.

INTERNET-INITIATED/MOBILE ENTRIES (WEB)

WEB entries can be single or recurring ACH debit entries to consumer accounts based on authorization obtained from the Receiver via the Internet or a wireless network. In addition, WEB must be used if the Receiver's instructions for initiation of the debit are communicated via a wireless network and authorization has been given in some other manner. Examples include payment instruction provided using a mobile Internet connection, text messaging (SMS) or using a bill payment 'application' on a smart phone. A WEB entry may also be a credit that is initiated on behalf of a person to pay another person (i.e. person-to-person payment or P2P) or to transfer monies from a consumer's account at one financial institution to his/her account at another institution. The payment instructions may be communicated via the Internet, wireless network or in-person at a financial institution. As of March 19, 2021, all WEB Debits require the first time an account number is used requires Commercially Reasonable Fraud Detection be applied to validate the account number before live dollar debits are sent over the ACH network."

WEB AUTHORIZATION REQUIREMENTS

Debit: Originator must have authorization in writing that can be signed or similarly authenticated by the Receiver via the Internet or a Wireless Network. Similarly authenticated permits signed, written authorizations to be provided electronically; examples of similarly authenticated include PIN, password, pass code, or a digital signature. To satisfy Regulation E and the ACH Rules, the authentication method must evidence both the consumer's identity and assent to the authorization. The authorization must also be readily identifiable as an ACH debit authorization, have clear and readily understandable terms and provide that the Receiver may revoke the authorization. The consumer must be prompted to print the

authorization or provided a hard copy upon request "or a readily and accurately reproducible record evidencing any other forum of authorization for 2 years from the termination or revocation of the authorization".

Credit: Authorization is not required to be communicated via the Internet or Wireless Network. WEB Credits are transmitted from one natural person to another. For standing order authorizations, "An Originator that obtains the Receiver's standing authorization via the internet or a wireless network, must use the WEB SEC Code."

TELEPHONE-INITIATED ENTRIES (TEL)

TEL entries provide Originators the opportunity to initiate a single or recurring ACH debit to a consumer account for the purchase of goods or services pursuant to an oral authorization over the telephone.

A TEL entry may be transmitted only in circumstances in which:

- there is an existing relationship between the Originator and consumer,
- there is not an existing relationship between the Originator and consumer, but the consumer has initiated the telephone call to the Originator.

TEL AUTHORIZATION REQUIREMENTS

Originator must record the authorization and must clearly state during the telephone conversation that the consumer is authorizing an ACH debit entry to his/her account, and express the terms in a clear manner. The original recording or a copy must be retained for 2 years from the date of the authorization. If the Originator does not record the oral authorization of a single-entry TEL, they must disclose to the consumer during the telephone conversation that a written notice will be provided and the method by which the notice will be provided. The written notice must:

- confirm the consumer's oral authorization,
- include the date on which or after the debit will occur,

amount of the transaction, Receiver's name, telephone number for inquiries, date of oral authorization, and statement that the Receiver's authorization will be used to originate the debit entry

- be provided prior to the settlement of the entry. For recurring TEL entries, the Originator is required to provide the written notice (described above) in addition to recording the authorization.

For standing order authorizations "An originator that obtains the receiver's standing authorization as an oral authorization via a telephone call must use the TEL SEC Code."

RETURN REASONS FOR WEB OR TEL ENTRIES

WEB and TEL entries may be returned for any valid return reason. (Refer to "ACH Return Entries" Quick Reference Card for specific return reason codes.) These returns must be made available to the ODFI no later than the opening of business on the second banking day following the Settlement Date of the original entry. Exceptions to this return deadline may be made for unauthorized entries or authorization revoked.

HELPFUL HINTS

- Be aware of suspicious activity or large numbers of unauthorized WEB claims by your account holders. Contact the ODFI regarding suspicious entries and notify your Payments Association or file a Report of Possible Rules Violation, if necessary.
- Obtain a Written Statement of Unauthorized Debit (WSUD) when returning a WEB debit or TEL entry as "R07 - Authorization Revoked" or "R10 - Customer Advises Not Authorized".

ACCOUNTS RECEIVABLE ENTRIES (ARC)

ARC entries allow Originators (billers) to convert checks received through the U.S. mail, at a drop box location or at a manned bill payment location for the payment of goods or services to single-entry ACH debits.

BACK OFFICE CONVERSION ENTRIES (BOC)

BOC entries allow Originators (merchants, retailers, etc.) to initiate single-entry ACH debits when appropriate notice is provided in person by the Originator to the Receiver (check writer) for a purchase made at the point-of-sale or at a manned bill payment location, by using the check as a source document.

RE-PRESENTED CHECK ENTRIES (RCK)

RCK entries allow Originators (merchants, retailers, etc.) to transmit an ACH debit entry in place of a consumer-drawn paper check that has been returned for insufficient or uncollected funds.

POINT-OF-PURCHASE ENTRIES (POP)

POP entries allow Originators (merchants, retailers, etc.) to initiate single-entry ACH debits for purchases of goods or services made in-person at the point-of-sale or a manned bill payment location, by using the check as a source document.

RETURN REASONS FOR ARC, BOC, POP, AND RCK ENTRIES

ARC, BOC, POP, and RCK entries may be returned for any valid return reason. (Refer to "ACH Return Entries" Quick Reference Card for specific return reason codes.) Additional return reason codes specific to these SEC codes are listed below.

UNIQUE RETURN REASONS FOR ARC, BOC, POP, AND RCK ENTRIES

REASON FOR RETURN	RETURN CODE	DESCRIPTION	ENTRY TYPE	DEADLINE
Source Document Presented for Payment	R37	The source document to which the ARC, BOC, or POP entry relates has been presented for payment. Written Statement is required.	ARC, BOC and POP	60 Days
Stop Payment on Source Document	R38	A stop payment order has been placed on the source document to which the ARC or BOC entry relates.	ARC and BOC Only	60 Days
Improper Source Document/ Source Document Presented for Payment	R39	The RDFI determines the source document used for the ARC, BOC, or POP entry is not an eligible check, or the source document was also presented for payment. No Written Statement is req	ARC, BOC and POP	24 Hrs
State Law Affecting RCK Acceptance	R50	The RDFI is located in a state that has not adopted Revised Article 4 of the UCC (1990 official text) or the RDFI is located within a state that requires canceled checks to be returned to the Receiver.	RCK	Transmitted to the RDFI's ACH Operator by midnight of the second banking day following the banking day of receipt of the presentment notice
RCK Item Is Ineligible, Notice Not Provided, Signature Not Genuine, Item Altered or Amount Not Accurately Obtained	R51	The item to which the RCK entry relates was not eligible, Originator did not provide notice of the RCK policy, signature on the item was not genuine, the item has been altered or amount was not accurately obtained from item. Written Statement is required.	RCK	Retain a copy of the front and back of the item to which the RCK entry relates for 7 years from the Settlement Date.
Stop Payment on RCK Item	R52	A stop payment has been placed on the item to which the RCK entry relates. Stop Payment form recommended.	RCK	60 Days
RCK Item and ACH Entry Presented for Payment	R53	Both the item to which the RCK entry relates and the RCK entry have been presented for payment. Written Statement is required.	RCK	60 Days

HELPFUL HINTS

- Use "R10 - Customer Advises Unauthorized" to return an ARC, BOC, or POP entry when it is unauthorized.
- Use "R11 - Customer Advises Entry Not in Accordance with Terms of the Authorization" to return an ARC, BOC, or POP entry when the amount was not accurately obtained or source document (check) is ineligible for conversion.
- Checks/share drafts containing an Auxiliary On-Us field in the MICR line or written for more than \$25,000 are ineligible for ARC, BOC, and POP entries.
- Return RCK entries timely to meet required deadlines. This return time frame is different from the typical ACH return timeframe in order to be consistent with the Uniform Commercial Code (UCC).
- "R07 - Authorization Revoked" cannot be used to return ARC, BOC, POP, or RCK entries.
- "R10 - Customer Advises Unauthorized" cannot be used to return an RCK entry.

	ACCOUNTS RECEIVABLE ENTRIES (ARC)	BACK OFFICE CONVERSION ENTRIES (BOC)	POINT-OF-PURCHASE ENTRIES (POP)	RE-PRESENTED CHECK ENTRIES (RCK)
Authorization/ Notification Requirement	Notice required with each billing statement.	Notice required at point-of-sale or manned bill payment location.	Notice required at point-of-sale or manned bill payment location, voided check handed back to the Receiver, and Receiver's written authorization.	Notice required.
Eligible Source Documents/ Eligible Items	<ul style="list-style-type: none"> Contains a pre-printed serial number Completed and signed by the Receiver Does Not contain Auxiliary On-Us field Written for \$25,000 or less Is not an obligation of a financial institution 	<ul style="list-style-type: none"> Contains a pre-printed serial number Completed and signed by the Receiver Does Not contain Auxiliary On-Us field Written for \$25,000 or less Is not an obligation of a financial institution 	<ul style="list-style-type: none"> Contains a pre-printed serial number Has not been previously negotiated, voided, or provided for use in any prior POP entry Does Not contain Auxiliary On-Us field Written for \$25,000 or less Is not an obligation of a financial institution 	<ul style="list-style-type: none"> Contains a pre-printed serial number Written for less than \$2,500 Drawn on a consumer account Returned for insufficient or uncollected funds Previously presented (a) no more than twice in paper form, if initial RCK, or (b) no more than once in paper form and no more than once as an RCK, if a reinitiated RCK
Receipt Requirements	Not applicable.	Notice language must be provided to the Receiver via a written copy (i.e. receipt).	Notice language must be provided to the Receiver along with a receipt containing: <ul style="list-style-type: none"> Merchant name and Merchant phone number Date of transaction Transaction amount Check serial number Merchant number Terminal city Terminal state. 	Not applicable.
Collection Fees	Initiated as a PPD debit if notice of collection fees provided at time of transaction. If not, initiate as a separate entry using the appropriate SEC code and follow the rules governing the specific SEC code.	Initiated as a PPD debit if notice of collection fees provided at time of transaction. If not, initiate as a separate entry using the appropriate SEC code and follow the rules governing the specific SEC code.	Initiated as a PPD debit if notice of collection fees provided at time of transaction. If not, initiate as a separate entry using the appropriate SEC code and follow the rules governing the specific SEC code.	Initiated as a PPD debit if notice of collection fees provided at time of transaction. If not, initiate as a separate entry using the appropriate SEC code and follow the rules governing the specific SEC code.
Retention Requirements	Entries must be retained as a legible image or a copy of the front of the Receiver's source document for a period of 2 years from the Settlement Date.	Entries must be retained as a legible image or a copy of the front of the Receiver's source document for a period of 2 years from the Settlement Date.	Written authorization retained for a period of 2 years from the Settlement Date.	Retain a copy of the front and back of the item to which the RCK entry relates for 7 years from the Settlement Date.
Periodic Statement Requirements	The check serial number is required; in addition to all other periodic statement requirements.	The check serial number is required; in addition to all other periodic statement requirements.	The check serial number is required; in addition to all other periodic statement requirements.	The check serial number is required; in addition to all other periodic statement requirements.

WHAT IS A NOTIFICATION OF CHANGE (NOC)?

An RDFI may send an NOC to an ODFI for the purpose of identifying incorrect information contained in an ACH entry and providing correct data for use in future entries. Correct data is contained in the change field(s) of the NOC and is sent using the Standard Entry Class (SEC) code COR. In transmitting an NOC, the RDFI's warranty supersedes and renders inoperative any similar warranty of the ODFI. NOCs must be transmitted within 2 banking days of the Settlement Date of the entry to which the NOC relates and are identified through the use of NOC codes, which are listed below.

FIELDS CONTAINING INCORRECT INFORMATION	NOC CODE	DESCRIPTION OF ERROR	CHANGE FIELD ENTRY PROCEDURE
Account Number	C01	Account number is incorrect or is formatted incorrectly.	Enter correct account number in Change Field
Routing Number	C02	Due to merger or consolidation, a once valid routing number must be changed.	Enter correct routing number in Change Field
Routing Number and Account Number	C03	Due to a merger or consolidation, the routing, number must be changed, in most instances this change will cause a change to the account numbering structure.	Enter correct routing number in Change Field 1, and enter correct account number in Change Field 2.
Transaction Code	C05	Transaction Code is incorrect and is causing entry to be routed to the wrong type of account (checking, savings, general ledger, or loan).	Enter correct transaction Code* in Change Field 1
Account Number and Transaction Code	C06	Account number is incorrect and transaction, is being routed to the wrong type of account (checking, savings, general ledger, or loan).	Enter correct account number in Change Field 1 and correct Transaction Code* in Change Field 2.
Routing Number, Account Number and Transaction Code	C07	Due to a merger or consolidation, a routing number must be changed, account number structure is no longer valid and the transaction should be routed to another type of account.	Enter correct routing number in Change Field 1, enter correct account number in Change Field 2, and enter correct Transaction Code* in Change Field 3.
Incorrect Receiving DFI Identification	C08	Receiving DFI ID in an IAT is incorrect.	Enter correct Receiving DFI ID in first 34 positions of the Corrected Data Field.
Incorrect Individual ID Number or Incorrect Receiver ID Number	C09	Individual ID number is incorrect.	Change Fields are left blank. Verify Standard Entry Class Code; use for CIE, IAT, MTE, POS and SHR entries only
Addenda Format Error	C13	Entry Detail Record was correct, but information in the Addenda Record was unclear/formatted incorrectly (i.e., addenda information is not formatted in ANSI or NACHA-endorsed banking conventions).	Change Fields are left blank. (Correction to addenda devised by Originator and ODFI.)
Incorrect SEC Code for Outbound International Payment	C14	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.

*Refer to Appendix 5 of the ACH Rules for a list of Transaction Codes.

REFUSED NOTIFICATIONS OF CHANGE

NOCs containing incorrect or incomplete information may account for delays or inability of the Originator to make the requested changes. In this case, the ODFI/Originator may submit a Refused Notification of Change within 15 calendar days of receipt of the NOC or corrected NOC to define the reason for not processing the NOC. A Refused NOC may appear on the RDFI's Entry Detail Register or other exception report. The reasons for refusal are defined by the Change Codes listed below. An RDFI may, within 5 banking days from Settlement Date of the Refused NOC, submit a corrected NOC using regular NOC procedures.

ODFI CHANGE CODES FOR REFUSED NOCs

CODE	DESCRIPTION OF ERROR
C61	Misrouted Notification of Change
C62	Incorrect Trace Number
C63	Incorrect Company Identification Number
C64	Incorrect Individual Identification Number
C65	Incorrectly Formatted Corrected Data
C66	Incorrect Discretionary Data
C67	Routing Number Not From Original Entry Detail Record
C68	DFI Account Number Not From Original Entry Detail Record
C69	Incorrect Transaction Code

HELPFUL HINTS

- The Standard Entry Class code of COR is used for Notifications of Change
- Send Notifications of Change within 2 banking days of Settlement Date of the original entry
- Contact ODFIs and Originators regarding mass changes to determine the most efficient method of updating account information, especially Originators of large payment volumes (e.g., Social Security). Mass changes due to merger, acquisition or similar event are exempt from the regular NOC deadline
- The first eight digits of the trace number identify the routing number of the ODFI for the entry. Utilize the ACH Contact Registry within the Nacha Risk Management Portal to look up contact information for an ODFI
- Complete transaction information as it was received so the Originator can identify the original entry being referenced. Enter the correct information in the Change Field of the Addenda Record
- Originators are expected to make the requested changes for recurring payments, but know it is at the Originator's discretion to make requested changes for one-time payments
- RDFIs should not initiate an NOC to transfer ACH entries from a closed account to another account at the RDFI without direct authorization from the receiver
- The RDFI warrants that all information contained in an NOC is correct

ACH RISK

Nacha has identified 5 primary types of risk for ACH. All ACH participants should understand these 5 types of risk and how they apply to their ACH program.

TYPE OF RISK	DESCRIPTION
Operational	Risk that a transaction will be altered or delayed due to an unintentional error, either mechanical or human
Fraud	Risk that a payment transaction will be initiated or altered in an attempt to misdirect or misappropriate funds
Credit	Risk that a party to a transaction will not be able to provide the necessary funds, as contracted, for settlement to take place on the scheduled date
Compliance	Risk occurs when a party to a transaction fails to comply, either knowingly or inadvertently, with payment system rules and policies, regulations, and applicable U.S. and state law
Systemic	Risk that the inability or unwillingness of one funds transfer system participant to settle its commitments will cause other participants to be unable to settle their commitments

FEDERAL GOVERNMENT RETURN ENTRIES

All ACH payments must be returned in accordance with the ACH Rules. An ACH payment may be returned if:

- An enrollment has been terminated and a new enrollment for the same receiver has not been executed
- The financial institution has actual or constructive knowledge of the death or legal incapacity of a receiver or representative payee
- The financial institution is honoring a DNE or other notification of death from a federal agency
- The account has been closed
- There is no current account for the receiver
- For any other reason the financial institution is unable to credit the payment to the account

RETURN CODES RECOMMENDED BY THE FEDERAL GOVERNMENT

RETURN CODE	DESCRIPTION
R02	Account Closed
R03	No Account/Unable to Locate Account
R04	Invalid Account Number
R06	Returned per ODFI's Request
R14	Representative Payee Deceased or Unable to Continue in that Capacity
R15	Beneficiary or Account Holder Deceased
R16	Account Frozen
R17	File Record Edit Criteria/Entry with Invalid Account Number Initiated Under Questionable Circumstances

FEDERAL GOVERNMENT NOTIFICATION OF CHANGE ENTRIES

Notification of Change (NOC) is a method used by financial institutions to notify a federal agency to correct or change account information in an entry processed by that agency. NOCs are used for federal government (civilian and military) payments that are made on a recurring basis. NOCs are not to be used to change title/ownership of account, interest of the receiver or beneficiary in the account, from one financial institution to another, account information for one-time payments (IRS refunds), or name of receiver (e.g., following marriage). The receiver must complete a new enrollment form to correct these, and in the case of a name change due to marriage, the receiver should contact the federal agency directly.

NOTIFICATION OF CHANGE CODES ACCEPTED BY THE FEDERAL GOVERNMENT

NOC CODE	DESCRIPTION
C01	Incorrect Account Number
C02	Incorrect Routing Number
C03	Incorrect Routing Number and Incorrect Account Number
C05	Incorrect Transaction Code
C06	Incorrect Account Number and Incorrect Transaction Code
C07	Incorrect Routing Number, Incorrect Account Number and Incorrect Transaction Code

HELPFUL HINTS

- The RDFI may rely solely on the account number for purposes of posting a federal government payment
- "R17 - File Record Edit Criteria" to return questionable IRS tax refunds if participating in the IRS Returns Opt-In Program. Program details can be found at www.nacha.org
- Don't send NOCs to change information on an IRS tax refund. If the refund is unpostable and is returned to the IRS, the taxpayer will receive a check in place of Direct Deposit
- NOCs may take 2 payment cycles to be processed
- Contact EFTPS at www.eftps.gov with questions regarding the electronic transmission of federal tax payments
- Don't hold federal government payments for any reason. If the payment cannot be posted, then return it. RDFIs should never open or reopen an account to allow a federal government payment to post
- If a customer stops receiving their federal government payment, the government may need an updated customer address. Refer the customer to the appropriate federal agency to determine why payments have ceased
- **The Green Book** as a resource for processing federal government payments. The Green Book can be found at www.fiscal.treasury.gov and contains the customer assistance phone number of the Payment Management Call Center along with contact information for major paying agencies

FEDERAL GOVERNMENT RECLAMATIONS

The federal government has the right to recover, or reclaim, benefit payments made through the ACH Network to a beneficiary who died before the date of the payment or a representative payee who died or became legally incapacitated. An RDFI is liable for ALL post-death benefit payments received after it knows of the death or legal incapacity of a benefit receiver. RDFIs must notify a paying federal agency if the RDFI learns of the death from

a source (i.e. family member, obituary, executor, funeral home, etc.) other than the agency. This is done through the use of Return Reason Codes "R14-Representative Payee Deceased" and "R15-Beneficiary or Account Holder Deceased." Reclamations from non-federal governmental agencies should be handled according to Article 3 in the ACH Rules.

DEATH NOTIFICATION ENTRIES (DNE)

Death Notification Entries (DNE) allow federal agencies to notify financial institutions of a benefit receiver's death. Upon receipt of a DNE, the financial institution should "flag" the deceased

receiver's account to prevent accepting further post-death federal benefit payments.

NOTICE OF RECLAMATION

Federal agencies initiating a Notice of Reclamation must do so within 120 calendar days after the date the agency is notified of the death. Upon receipt of the Notice of Reclamation, an RDFI must determine the account balance and prevent further withdrawals of post-death federal benefit payments from the

account. An RDFI has up to 60 days from the issue date of the reclamation to provide a complete and accurate response. Failure to respond timely may result in a debit to the RDFI's Federal Reserve account or its correspondent's account for the total amount of the reclamation.

LIMITING LIABILITY

An RDFI may limit its liability if it:

- had no actual or constructive knowledge of the death at the time post-death benefit payments were posted
- returns all post-death benefit payments received after learning of the death

- responds to the Notice of Reclamation within 60 days of the issue date of the reclamation

To understand the reclamation process and the associated liabilities, see Chapter 5 of **The Green Book**.

GARNISHMENTS

Garnishment is a legal process that provides a creditor with a court order to remove funds from an account to satisfy a debt that an account holder has not paid. An account holder cannot use the money in his/her account that is owed to the creditor. Federal government benefit payments are 'protected' from garnishment orders. Treasury will place an "XX" in positions 54-55

of the Company Entry Description fields and a "2" in the Originator Status Code field of the Company/Batch Header Record to help RDFIs identify federal government benefit payments exempt from garnishment. Reference Chapter 2 of the Green Book for more information on garnishments.

HELPFUL HINTS

- Not all federal government payments are subject to reclamation. See Chapter 5 of **The Green Book** for a list of payments subject to and not subject to reclamation.
- Always verify a benefit receiver is truly deceased before returning any payments (i.e., via a family member, funeral home, executor, etc.). If a payment is returned as deceased and the receiver is alive, the receiver must contact the federal agency directly to re-enroll in Direct Deposit.
- Return post-death benefit payments when the RDFI has knowledge of the death or legal incapacity of a receiver or representative payee.
- The beneficiary is entitled to funds from federal benefit payments received on the date of death.
- A DNE from one federal agency constitutes notification by all other agencies. For example, if a deceased beneficiary received recurring benefit payments from both Social Security and the Veteran's Administration (VA), a DNE from Social Security would represent notification by the VA too. In this instance, ensure payments from both agencies received after the beneficiary's death are returned promptly.
- Respond to reclamation requests accurately and timely. The return of complete and timely reclamations may allow the RDFI to limit its liability.

INTERNATIONAL ACH ENTRIES (IAT)

IAT entries are credit or debit ACH entries that are part of a payment transaction involving a financial institution not located in the territorial jurisdiction of the United States. RDFIs must accept all Standard Entry Class (SEC) codes, including International ACH

Entries (IAT). RDFIs receive IAT entries from the ACH Operator or Third-Party Service Provider, the same as all other SEC Code transactions are received.

OFAC SCREENING OF IAT ENTRIES

RDFIs are responsible for screening each inbound IAT entry received for OFAC compliance; specifically, the entry is to be screened against the most current Specially Designated Nationals and Blocked Persons (SDN) List. An RDFI is not only responsible for screening its account holder, but all parties involved in the transaction (i.e., "Travel Rule" information found in the 7

mandatory Addenda Records). Additionally, an RDFI must screen the remittance data and any foreign correspondent banks that have been identified. An RDFI's OFAC compliance policy and procedures should be followed for blocking and reporting suspect transactions.

OFAC SCREENING INDICATORS

OFAC Screening Indicators can be found within the Entry Detail Record of an IAT and consist of two single-character fields. These fields are used to convey the results of OFAC screening on inbound IAT entries by a Gateway (i.e., FRB or DFI acting in that capacity) or a Third-Party Service Provider. The Gateway uses the first field to transmit its findings while a Third-Party Service Provider uses the second field to convey screening results. OFAC Screening Indicator values and associated results are shown:

SCREENING INDICATOR VALUE	RESULT
0	No Potential Blocked Party
1	Potential Presence of a Blocked Party
Space filled	No Screening Conducted

OFAC COMPLIANCE OBLIGATIONS

- An RDFI must have a written OFAC compliance policy and procedures manual.
- An RDFI is responsible for OFAC compliance. It may use a Third-Party Service Provider, such as a processor, correspondent bank or corporate credit union, to perform its OFAC review; however, be aware that an RDFI may not contract away its liability.
- OFAC Screening Indicators should be used as a reference in assisting an RDFI with its compliance obligations. However, results should not be relied upon solely; the RDFI is ultimately liable for ensuring OFAC compliance.
- OFAC screening should occur prior to posting an IAT entry.

VISIT THE IAT SOLUTIONS CENTER AT WWW.NACHA.ORG FOR HELPFUL RESOURCES, INCLUDING AN OFAC DOCUMENT ON CREDITING BENEFICIARY'S ACCOUNTS PRIOR TO OFAC SCREENING.

PROVISION UNDER ARTICLE ONE

Due to issues involving OFAC investigations, an RDFI may encounter situations when it is unable to:

- Post an IAT entry on the Settlement Date,
- Return an IAT entry within the prescribed timeframes, or
- Recredit a Receiver's account for an unauthorized IAT entry.

A provision to the ACH Rules excuses an RDFI from its obligations under the ACH Rules to credit or debit an account or transfer funds when such action is in conflict with U.S. law such as a possible OFAC violation.

OFAC handling of IAT transactions does not change your current OFAC requirements related to domestic ACH transactions. To learn more about an RDFI's OFAC responsibilities, visit www.treas.gov or call 800.540.OFAC.

REASON FOR PAYMENT

Each inbound IAT entry contains the reason for the payment, located in the Transaction Type Code field of the first Addenda Record. The reason for payment is identified with a 3-digit predefined code, found in the ACH Rules; inbound IAT debit entries may carry a secondary SEC code in the Transaction Type Code field, which reflects how the Receiver's authorization was obtained. Predefined code values and acceptable SEC codes are shown below:

CODE VALUE	REASON FOR PAYMENT
ANN	Annuity
BUS	Business
DEP	Deposit
LOA	Loan
MIS	Miscellaneous
MOR	Mortgage
PEN	Pension
REM	Worker Remittance
RLS	Rent/Lease
SAL	Salary/Payroll
TAX	Tax

SEC CODE	DESCRIPTION
ARC	Accounts Receivable Entry
BOC	Back Office Conversion
MTE	Machine Transfer Entry
POP	Point-of-Purchase Entry
POS	Point-of-Sale Entry
RCK	Re-presented Check Entry
SHR	Shared Network Transaction
TEL	Telephone-Initiated Entry
WEB	Internet-Initiated Entry

NOTIFICATIONS OF CHANGE

An RDFI may send a Notification of Change (NOC) related to an IAT entry. NOCs must be transmitted within **2 banking days** of the Settlement Date of the IAT entry to which the NOC relates. The following NOC Codes may be used:

CODE VALUE	REASON FOR PAYMENT
ANN	Annuity
BUS	Business
DEP	Deposit
LOA	Loan
MIS	Miscellaneous
MOR	Mortgage
PEN	Pension
REM	Worker Remittance
RLS	Rent/Lease
SAL	Salary/Payroll
TAX	Tax

RETURNING IAT ENTRIES

Inbound IAT Entries may be returned for any valid reason (refer to "ACH Return Entries" Quick Reference Card for specific return reason codes) and within the established domestic return timeframes prescribed in the ACH Rules. An IAT return entry must include the 7 mandatory Addenda Records transmitted with the original IAT entry.

RETURN PROCESSING 'BEST PRACTICE'

Updates to the SDN List are made frequently and due to time delays between posting and returning an IAT entry, one or more parties to the IAT transaction could have been added to the SDN List. An RDFI may want to re-screen the 7 mandatory Addenda Records for OFAC compliance prior to returning an IAT entry.

DISHONORED AND CONTESTED DISHONORED RETURNS

Dishonored and Contested Dishonored Returns are not permitted for use with IAT entries. These domestic exception processes do not have counterparts with foreign payments systems, and therefore,

must be handled outside of the ACH Network (e.g., RDFI contact U.S. Gateway to resolve).

HELPFUL HINTS

- Use "R16 - Account Frozen/Returned per OFAC Instruction" to return inbound IAT debit or credit entries when OFAC has instructed your financial institution to do so.
- RDFIs may return inbound IAT debit or credit entries as "R17 - File Record Edit Criteria/Entry with Invalid Account Number Initiated Under Questionable Circumstances" when your financial institution does not have enough information to perform a comprehensive OFAC scan or believes the entry was initiated under questionable or suspicious circumstances.
- Suspect IAT transactions should be investigated, which may include contacting OFAC, prior to returning the entry.