ACH Originator
QUICK REFERENCE GUIDE

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PAYMENT ADVISORY RESOURCE

ACH RETURNS

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.   More information on these Return reason codes can be found in the 2024 *Nacha Operating Rules & Guidelines* starting on page OR137.

RETURN CODE	DESCRIPTION	ENTRY TYPE	RETURN TIME FRAME	ACTION BY ORIGINATOR
R01	INSUFFICIENT FUNDS - Available and/or cash reserve balance not sufficient to cover amount of debit Entry.	ALL	2 Banking Bays	Originator may reinitiate the ACH Entry for a total of 3 presentments within 180 days of the Settlement Date of the original Entry for the same amount.
R02	ACCOUNT CLOSED – Previously active account has been closed.	ALL	2 Banking Days	Originator must stop initiation of Entries. Contact Receiver to obtain authorization for another account.
R03	NO ACCOUNT / Unable to Locate Account– Account number structure is valid, but the account number does not correspond to the individual identified in the Entry, or the account number designated is not an existing account.	ALL	2 Banking Days	Originator must stop initiation of Entries. Contact Receiver to obtain authorization for another account.
R04	INVALID ACCOUNT – Account number structure is not valid.	ALL	2 Banking Days	Originator must stop initiation of Entries until account number/structure is corrected.
R05	UNAUTHORIZED DEBIT TO CONSUMER ACCOUNT USING CORPORATE SEC CODE – A corporate Entry was transmitted to a consumer account that was not authorized.	CCD, CTX	60 Calendar Days	Originator must stop initiation of Entries. If a valid authorization exists, the Originator may have recourse outside the ACH Network.
R06	ODFI REQUEST FOR RETURN – ODFI has requested that the RDFI return an Entry.	ALL	Undefined	Originator must accept requested return.
R07	AUTHORIZATION REVOKED – The RDFI's customer revoked the authorization previously provided to the Originator for this debit Entry.	PPD, POS, TEL, WEB, IAT	60 Calendar Days	Originator must stop initiation of Entries until new consumer authorization is obtained. Depending upon the terms of the original authorization, the Originator may have recourse for collection outside the ACH Network.
R08	PAYMENT STOPPED – The Receiver has placed a stop payment order.	ALL	2 Banking Days	Originator must contact the Receiver to identify the reason for the Stop Payment and must stop initiation of the Entries until they receive instruction from the Receiver.
R09	UNCOLLECTED FUNDS – Sufficient ledger balance exists, to satisfy the dollar value of the transaction, but available balance is below the dollar value of the debit Entry.	ALL	2 Banking Days	Originator may reinitiate the ACH Entry for a total of 3 presentments within 180 days of the Settlement Date of the original Entry and for the same dollar amount.
R10	CUSTOMER ADVISES ORIGINATOR IS NOT KNOWN TO RECEIVER /OR ORIGINATOR IS NOT AUTHORIZED BY THE RECEIVER TO DEBIT THE RECEIVERS ACCOUNT. - The RDFI has been notified by the Receiver that the Entry is unauthorized, improper or ineligible.	ARC, BOC, IAT, POP, POS, PPD TEL, WEB	60 Calendar Days	Originator must stop initiation of Entries. If a valid authorization exists, the Originator may have recourse outside the ACH Network.
R11	CUSTOMER ADVISES ENTRY NOT IN ACCORDANCE WITH THE TERMS OF THE AUTHORIZATION. Transaction was incomplete, the amount debited was different, Debited earlier than authorized, Source document ineligible, Improperly reinitiated debit entry.	ARC, BOC, IAT, POP, POS, PPD TEL, WEB	60 Calendar Days	Originator would be permitted to correct the underlying error, if possible and, submit a new Entry without being required to obtain a new authorization. The new Entry must be Originated within 60 days of the Settlement Date of the R11 Return Entry.
R12	ACCOUNT SOLD TO ANOTHER DFI – A financial institution received an Entry to an account that was sold to another financial institution.	ALL	2 Banking Days	Originator must stop initiation of Entries and obtain correct routing number information for initiation of subsequent Entries.

ACH RETURNS

RETURN CODE	DESCRIPTION	ENTRY TYPE	RETURN TIME FRAME	ACTION BY ORIGINATOR
R16	ACCOUNT FROZEN/ENTRY RETURNED PER OFAC INSTRUCTION – 1) Access to the account is restricted due to specific action taken by the RDFI or by legal action or 2) OFAC has instructed the RDFI or Gateway to return the Entry.	ALL	2 Banking Days	Originator must stop initiation of Entries. Terms of authorization may offer recourse outside the ACH Network.
R17	File Record Edit Criteria/Entry with Invalid Account Number Initiated Under Questionable Circumstances.	ALL	2 Banking Days	Originator must identify and correct errors prior to initiation of further Entries. If the addenda field lists "**Questionable**" on an Entry that contains an invalid account number, it is believed by the RDFI to have been initiated under questionable circumstances.
R20	NON-TRANSACTION ACCOUNT – An Entry was transmitted to an account to which transactions are prohibited or limited.	ALL	2 Banking Days	Originator must stop initiation of Entries.
R23	CREDIT ENTRY DECLINED BY RECEIVER– Any credit Entry that is declined by the Receiver may be returned by the RDFI	ALL	2 Banking Days (after Receiver notifies RDFI)	Originator must obtain Receiver authorization prior to reinitiating the Entry.
R24	DUPLICATE ENTRY- The trace number, date, dollar amount, and/or other data matches another transaction.	ALL	2 Banking Days	If the Entry is duplicated, Originator should accept the return. If the Entry has already been reversed, Originator should contact their Financial Institution to determine a solution.
R29	CORPORATE CUSTOMER ADVISES NOT AUTHORIZED – RDFI has been notified by the Receiver that a specific Entry has not been authorized.	ALL	2 Banking Days	Originator must stop initiation of Entries until subsequent authorization has been obtained. If a valid authorization exists, the Originator may have recourse outside the ACH Network.
R31	PERMISSIBLE RETURN ENTRY – RDFI has received permission from the ODFI to transmit a late return.	CCD, CTX	Negotiated	Originator must accept return as agreed upon with RDFI. If the Originator or ODFI has not given permission for the untimely return, the return may be dishonored.
R37	SOURCE DOCUMENT PRESENTED FOR PAYMENT – The source document to which an ARC, BOC or POP Entry relates has been presented for payment.	ARC, BOC, POP	60 Calendar Days	Originator must accept return.
R38	STOP PAYMENT OF SOURCE DOCUMENT- A stop payment has been placed on the source document to which the Entry relates.	ARC, BOC, IAT*	60 Calendar Days	Originator must accept the return.
R39	IMPROPER SOURCE DOCUMENT – The RDFI determines the source document used is not an eligible item or the source document to which the Entry relates has been presented for payment.	ARC, BOC, IAT*, POP	2 Banking Days	Originator must accept the return.
R50	STATE LAW AFFECTING RCK ACCEPTANCE – 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.	RCK	2 Banking Days	Originator must stop initiation of Entries.
R51	ITEM RELATED IS INELIGBLE or IMPROPER - notice not provided, signatures not genuine, item altered or amount of RCK not accurately obtained from the item.	RCK	60 Calendar Days	Originator must accept the return. Originator may attempt collection of item outside the ACH Network.
R52	*STOP PAYMENT ON ITEM – Stop Payment has been placed on an item to which the RCK Entry relates.*	*RCK*	60 Calendar Days	Originator must accept the return.

IAT Entries that have a secondary SEC Code of ARC or BOC

NOCs
(NOTIFICATION OF CHANGE)

A Notification of Change (NOC) is a non-dollar Entry transmitted by an RDFI to notify you that information contained within an Entry is erroneous and/or has become outdated and must be changed.

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. More information on these NOC codes can be found in the 2024 *Nacha Operating Rules & Guidelines* starting on page OR180.

NOC CODE	DESCRIPTION	ACTION BY ORIGINATOR
C01	Incorrect Account Number.	Change the Receiver's account number record.
C02	Incorrect Routing Number.	Change the Receiver's Financial Institution routing number.
C03	Incorrect Routing Number & Incorrect Account Number.	Change the Receiver's Financial Institution routing number & account number.
C05	Incorrect Transaction Code.	Change the two-digit transaction code.
C06	Incorrect Account Number & Incorrect Transaction Code.	Change the Receiver's account number and transaction code.
C07	Incorrect Routing Number, Account number & Transaction Code.	Change the Receiver's financial institution routing number, account number, and transaction code
C09	Incorrect Individual Identification Number.	Change the Individual ID number.
C13	Addenda Format Error.	Review the formatting in the Addenda Record that accompanied the original Entry Detail Record to determine errors and make corrections using only ANSI standards or Nacha endorsed banking conventions.
C14	Incorrect SEC Code for Out bound International Payment	The RDFI/Gateway has identified the Entry as an Outbound international payment and is requesting that future Entry be identified as IAT Entries.

Failure to respond to NOCs may result in fines to your FI according to the *Nacha Rules*

TRANSACTION CODES

Transaction Codes – Identify the various types of debit and credit Entries, pages OR134-OR135

Demand (Checking) Credits		Savings Credits		Financial Institution General Ledger Credits	
Tran Code	Description	Tran Code	Description	Tran 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	
Tran Code	Description	Tran Code	Description	Tran 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

SEC CODE REQUIREMENTS

A Standard Entry Class (SEC) Code is a three – character code that identifies the type of Entry. There are specific requirements for each SEC code. Refer to Appendix Three of the 2024 *Nacha Operating Rules & Guidelines*, pages OR84 – OR135 for specific formatting requirements.

SEC CODES	Description	DEBIT/ CREDIT	CONSUMER/ CORPORATE	AUTHORIZATION REQUIREMENT
ARC- Accounts Receivable Entry	Check conversion Entry used to convert checks received via the U.S. mail, drop box, or in person for payment of a bill at a manned location	Debit	Consumer/ Corporate	Notification
BOC- Back Office Conversion	Check conversion Entry used to convert checks at point –of- sale or a manned bill payment location.	Debit	Consumer/ Corporate	Notification
CCD- Corporate Credit or Debit	Corporate to Corporate transactions	Credit or Debit	Corporate	Agreement
CTX- Corporate Trade Exchange	Corporate to Corporate transactions with payment related remittance information.	Credit or Debit	Corporate	Agreement
IAT- International ACH Transactions	The code that identifies an Entry that is part of a payment transaction involving a Financial Agency's office that is not located in the territorial jurisdiction of the United States.	Credit or Debit	Consumer/ Corporate	Consumer credit Entries - Oral or similarly authenticated; Consumer Debit Entries – written Corporate Entries – agreement
POP- Point of Purchase	Check conversion Entry used to convert checks received at the point-of-purchase or manned bill payment location	Debit	Consumer/ Corporate	Notification and Written
PPD- Prearranged Payment and Deposit Entry	A credit or debit Entry initiated by an organization to a consumer account of a Receiver based on a standing or a Single-Entry authorization from the Receiver. (Examples; Payroll, expense reimbursements, or bill payment such as utility or insurance).	Credit or Debit	Consumer	Credit – Written, Oral or Similarly authenticated. Debit – Written or Similarly Authenticated
RCK- Re-presented Check Entry	Check conversion Entry used to collect funds via the ACH Network for checks returned insufficient or uncollected funds.	Debit	Consumer	Notification
TEL- Telephone Initiated Entry	ACH Entry initiated by an Originator pursuant to an oral authorization obtained via the telephone	Debit	Consumer	Oral (must be recorded or written notice sent prior to Settlement Date)
WEB Debit - Internet Initiated/Mobile Entry	ACH Entry initiated pursuant to an authorization obtained via the Internet or Wireless Network.	Debit	Consumer	Similarly Authenticated (Examples: Digital Signature, shared secrets, biometrics etc.)

You are authorized to use PPD & CCD SEC Codes, if you wish to use other codes please contact RiverWood Bank.

Same Day ACH Origination

Same Day ACH Origination is a product that RiverWood Bank is offering that will allow you to send an ACH File that will be received the Same Day that you send them to us! As long as you transmit the ACH Entries to us by 3:30pm, and the Effective Entry Date is today's date, the Entries will be available to the Receiver by 5:00 p.m. **Any transaction sent or received during the third same day window may not have same day availability**.

Currently, Same Day ACH can only be used for Entries that are $1,000,000.00 and under**.** All Entries exceeding the limit, will be held over until the next available Settlement Date.

Data Security, protecting personal information.

The *Nacha Operating Rules ("Rules")* require that Financial Institutions conducting ACH transactions employ a "security framework" aimed at protecting the security and integrity of certain ACH data throughout its lifecycle. One element of that security framework is the requirement that Financial Institutions require Originators to establish, implement and, as appropriate, update security policies, procedures and systems related to the initiation, processing and storage of ACH Entries and the related "Protected Information."

Protected Information is defined as "the non-public personal information, including financial information, of a natural person used to create, or contained within, an ACH Entry and any related Addenda Record." This would include your customers' account number or Social Security Number.

According to the Federal Trade Commission, there are five principles to protecting this information.

- **Take stock**.
  - ➢ Know what personal information you have in your files and on your computers.
- **Scale down**.
  - ➢ Keep only what you need for your business.
- **Lock it.**
  - ➢ Protect the information that you keep. The *Rules* say you must use a commercially reasonable method to encrypt ACH files you send to [financial institution].
  - ➢ Lock up any paperwork that contains customer data at your location.
- **Pitch it.**
  - ➢ Properly dispose of what you no longer need. Do not just throw the information in a garbage can.
- **Plan ahead.**
  - ➢ Create a plan to respond to security incidents.

Other tips as you create an ACH File or Entry

- If you send a Prenotification Entry, you **must wait** at least **three business days** before you send the live dollar Entry.
- You **must not** send both the Prenotification and the live dollar Entry on the same day.
- Make sure the name you use for your company is easily recognizable to the customer.
- Do not use RiverWood Bank's name.
- If you have to abbreviate your name, make sure it is understandable to the customer. This is what they will see on their bank statement.

For in-depth information please refer to the Nacha Operating Rules & Guidelines or contact your financial institution. The words us and we refer to the Financial Institution and the words you and your refer to the Originator.

Authorization

You must obtain the Receiver's authorization which must be signed or similarly authenticated by the consumer.

1/2024

- You must provide a copy of the authorization to the Receiver.
  - The authorization must:
    1) Be readily identifiable as an ACH authorization.
    2) Have clear and readily understandable terms.
    3) Provide that the Receiver may revoke the authorization only by notifying you in the time and manner specified in the authorization.
    4) Debit Authorization forms must include start date and timing of recurring payments.
- The authorization must be kept for two years following the termination or revocation of the authorization.
- If a copy of an authorization is requested by us, you must supply it so that we can respond to RDFI's (Receiving Depository Financial Institution) request. We have 10 Banking Days to provide the RDFI with the Authorization.
- If the Entry is a recurring debit you are required to notify the Receiver of any changes in the date or dollar amount.
  - At least seven (7) calendar days prior of a change in the date (consumer and corporate).
  - At least ten (10) calendar days prior to the change in the dollar amount (consumer only), unless it is within the agreed upon amount. Refer to the *Nacha Operating Rules and Guidelines*, for clarification, or contact us at the number listed).
- The Receiver's (your customer/employee) Financial Institution's deposit tickets should not be used to obtain the Financial Institution's routing number. These most often have internal processing numbers.

Notification of Change (NOC)

- A NOC is a non-dollar Entry transmitted by a RDFI to notify you that information contained within an Entry is erroneous and/or has become outdated and **must** be changed.
- The *ACH Rules* require you, the 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.
- Failure by you to respond to NOCs may result in fines to your Financial Institution.
- Call RiverWood Bank at (888) 751-5120 if you have any questions.

Origination File

*In this example we used the Standard Entry Class (SEC) codes PPD & CCD, others can be found in the *Nacha Operating Rules and Guidelines*

- Have you used the correct SEC Code for the File you are sending?
  - A Payroll File is a credit going to a Consumer account and should have the SEC code of PPD.
  - Collections of Utility Payments, Condo Association Fees or any debit from a consumer should use the SEC code of PPD.
  - Collection of Utility Payments from a Business/Corporation the SEC code should be CCD.
  - Credit or Debit from a Corporate to a Corporate the SEC code should be CCD.
  - If you are collecting payments for both Consumer and Corporate, they should be originated as two separate batches.
  - The CCD SEC code has a 2-Banking Day return time frame and the PPD SEC code has a 60 calendar-day return time frame.
- The Company Name Field should be populated with a name that is readily recognized by the Receiver of the Entry
- The Company Entry Description Field should provide the Receiver with a description of the purpose of the Entry, (i.e. Payroll, Condo Fee, Utility Pay).

Prenotification (Prenote)

Prenotifications are non-dollar Entries used to verify that the account number and routing number information is valid.

- Prenotifications may be sent as soon as **3 banking-days prior** to the first live dollar Entry.
- If the Prenote does not contain a valid account number, or is otherwise un-processable, you will receive either:
  - a return Entry, or
  - NOC
- You **must** fix the incorrect information before sending the next live Entry.

Returned Entries

- An ACH return is an ACH Entry that the RDFI is unable to post for reasons defined by the return codes.
- The following return reason codes have to be returned within 2 Banking Days of receiving it. If you receive a return Entry with one of the following return reasons, with the exception of R01, you **must stop initiating** the Entries and contact the Receiver:

➢ R01 - Insufficient Funds (see Reinitiaton of Return Entries)
➢ R02 - Account Closed
➢ R03 - No Account
➢ R04 - Invalid Account
➢ R08 - Payment Stopped (A stop payment may be for one, several or all future Entries. You may not reinitiate the returned Entry unless the reason for the return is remedied. Contact the customer to determine the intent of the return.)
➢ R29- Corporate Customer Advises not Authorized

- The following return reason codes can be returned up to 60 calendar days later if they are associated with a consumer SEC code. If you receive a return with one of these return reasons you ***must stop initiating*** the Entries. If a valid authorization exists, you may have recourse outside the ACH Network. Keep in mind you could get these back as late as 60 calendar days after you first initiated them.   A Consumer must complete a Written Statement of Unauthorized Debit (WSUD) form when requesting an Entry be returned for one of these reasons. You may request a copy of the WSUD from your Financial Institution.
  ➢ R05 - Unauthorized Debit to a Consumer Account using Corporate SEC code
  ➢ R07 - Authorization Revoked
  ➢ R10 - Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receivers Account.
  ➢ R11 - Customer Advised Entry Not in Accordance with the Terms of the Authorization
  ➢ R37 - Source Document Presented for Payment
  ➢ R51 – Item Related to RCK Entry is Ineligible or RCK Entry is Improper.

Reinitiation of Return Entries

- You may reinitiate an Entry that has been previously returned (*other than an RCK*) if:
  o   The Entry was returned for insufficient or uncollected funds.
  o   The Entry was returned as stop payment and reinitiation has been authorized by the Receiver.
  o   Corrective action was taken to remedy the reason for the return (example R11).
- Entry must be reinitiated within 180 days of settlement of the original Entry.
- You must not reinitiate an Entry that has been returned for insufficient or uncollected funds more than two times following the return of the original Entry (for a total of three times).
- The Entry was returned as stop payment and re-initiation has been ***separately*** authorized by the Receiver.
- Originator <u>must</u> submit Reinitiated Entries as a separate batch that contains the word "**RETRY PYMT**" in the Company Entry Description field of the Company/Batch Header Record.

Reversals

- As an Originator you may reverse an erroneous or duplicate ACH Entry/File up to 5 Banking Days after the Settlement Date of the Entry/File.
  - Erroneous Entry – an Entry that (a) is a duplicate of an Entry previously initiated by the Originator or ODFI; (b) orders payment to or from a Receiver different than the Receiver intended to be credited or debited by the Originator; or (c) orders payment in a dollar amount different than was intended by the Originator.
- A reversal is <u>*not a guarantee*</u> the File will be reversed. If there are not sufficient funds in the Receiver's account when the reversal is received by the receiving Financial Institution the reversal can be returned back to you.

International ACH Transactions (IAT) Due Diligence

- Do any of your employees, retired employees or Receivers have a foreign address to which their funds may be transferred to a non-US Financial Institution?   If so, contact your Financial Institution with this information.

ACH Check Conversion

The ACH network supports the conversion of check items into ACH debit transactions. There are four specific applications, each with its own Standard Entry Class (SEC) code, supported by the ACH network. The SEC codes include: Accounts Receivable (ARC) Entries, which are checks that are mailed in or dropped off, normally bill payments, that are converted to ACH debits; Point-of-Purchase (POP) Entries, which are checks converted right at the point-of- sale terminal (usually a cash register); Back Office Conversion (BOC) Entries, which are checks taken at the point-of-sale and converted after the fact; and finally Represented Check (RCK) Entries, which are checks that were first returned as NSF or for uncollected funds, converted to be re-presented electronically. With the exception of RCK Entries, the check used to gather the information needed to generate these Entries is considered a source document, not a check.

Eligible Source Document

An Eligible Source Document is a Check that is used as a source of information for ARC, BOC or POP Entries. To be used as a source of information, the Check must:
- Contain a pre-printed Check serial number
- Be in an amount of $25,000 of less
- Be completed and signed by the Receiver (Maker of the Check) (except for POP)
- Have a routing number, account number and Check serial number encoded in magnetic ink

An Eligible Source Document does not include:
- A Check the contains an Auxiliary On-Us Field in the MICR line
- A Check payable to a Person other than the Originator (You)
- A draft that does not contain the signature of the Receiver, including any "remotely created check" as that term is defined by Regulation CC
- A Check provided by a lender for purposes of accessing a credit card account, home equity line or other form of credit
- A Check drawn on an Investment company as that term is defined in the Investment Company Act of 1940
- An obligation of the Financial Institution (e.g., travelers check, cashier's check, official check, money order)
- A Check drawn on the Treasury of the United States, a Federal Reserve Bank, or a Federal Home Loan Home
- A Check drawn on a state or local government that is not payable through or at a Participating DFI
- A Check Payable in a medium other than United States currency