ACH Originator Welcome Guide

Dear Valued ACH Customer,

Thank you for choosing Choice Bank! We are committed to providing value to every business relationship through creative, flexible, tailored banking solutions. As a customer of Choice Bank, you will receive one-on-one customer service to accommodate your needs. As an ACH Originator, you will benefit from ACH Origination services including:

- Payroll
- Prearranged Payment/Deposit
- Corporate Credit/Debit
- Federal Tax Payment
- State/Local Tax Payment
- HSA Contribution
- International ACH Transaction

This Welcome Guide has been created to assist you in developing a successful electronic payments program for your business.

Choice Bank Contact Information

We are here to assist you during the set-up of your ACH Origination process. We will provide you with training, technical support and resources for any questions that you may have.

Cash Management Operations Team
(763) 210-7775
cmteam@bankwithchoice.com
8:00 AM – 5:00 PM (CST), Monday-Friday

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Let's Get Started

A member of our Cash Management Operations Team will contact you to arrange a time for training. The following checklist has been provided to help you prepare.

- **NACHA Operating Rules & Guidelines:** The NACHA Operating Rules are the foundation for every ACH payment. By defining the roles and responsibilities of financial institutions and ACH originators, and establishing clear guidelines for each Network participant, the Rules ensure that millions of payments occur smoothly and easily each day. Instructions for accessing the NACHA Operating Rules & Guidelines are included in this guide.
- **ACH Authorizations** will need to be in place for all individuals or companies that you will be sending payments to or pulling payments from. Example authorizations are included in this packet for you to customize. It is important to remember that the ACH Rules have specific requirements for these authorizations. We are happy to make recommendations or answer any questions regarding the authorizations prior to use. The signed authorizations should be available during training to ensure your transactions are set up appropriately.
- **Security** is top priority in the business world today. Please review the security and fraud information that has been included in this guide and consider having the following in place for protection:
  - Dual control for ACH templates and transactions.
  - Put out-of-band authentication procedures in place to address requests made in person or call-backs from Choice Bank employees.
  - Use a standalone computer for banking activity – a computer that is not allowed to access social media sites and has a firewall and antivirus protection in place.
- **Internal procedures and processes:** Be prepared to discuss your banking operations. Example: what employees are involved, payment authorities, frequency of ACH transaction origination and your software capabilities. This will help us make recommendations that are efficient for you while we set up your online banking access.
- **Training:** It is important that everyone who will be originating ACH is present for training. Training is typically completed over the phone combined with remote access to your workstation or in-person at your business location.
- **Choice Bank Mobile Banking:** Please take a moment to download our Choice Bank Mobile App prior to training so we can show the conveniences you have while you are on the go. You can find it in the iPhone and Android App Stores by searching "Choice Bank Business". Our full-featured website can also be used on mobile phone browsers conveniently as it is device-responsive.
- **Additional Services:** The Cash Management Operations team is prepared to answer any questions you may have regarding other services such as Remote Deposit, Online Wire Transfers, Positive Pay, Bill Pay and/or ACH Positive Pay.

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Transaction Information

Timing of Transactions and Choice Bank Processing Deadlines

The cut off time for ACH processing is 4:00 pm (CST). At 4:00 pm (CST), our system automatically changes the date of any transactions originated to the next business date.

- Please note that we do not have the ability to adjust this cut off time so it's important to plan your processes accordingly.

Transmit Date and Effective Date

Transmit Date:
The transmitting date is the date you submit the ACH Transactions for Origination. This process needs to be completed at least one business day prior to the date you want it to settle (the effective date). Important things to note about the processing date:

- ACH Transaction processing can take place up to 90 days in advance of the effective date – you can also establish recurring transactions with expiration dates that extend out for longer periods of time.
- We highly encourage dual control within your organization. If this is something that you have in place, it is important to note that the secondary approver must approve the file prior to the cut off time of 4:00 pm (CST) to maintain the same effective date.

Effective Date:
The Effective Entry Date refers to the date in which you intend your entries to settle. For example, if you are paying vendors, this would indicate the date when they should receive the payment. The effective entry date can be the next business day at the earliest, assuming it was processed one business day prior before the 4:00 pm (CST) cut off time.

Return Fee Entries

A Return Fee Entry must use the correct SEC Code (PPD if authorized by notice, otherwise whatever fits the authorization method) and must be sent in its own batch labeled "RETURN FEE." The Company Name must match the name on the original transaction, or the payee if it's related to a check. The Individual Name must identify the person being charged and, for fees tied to ARC/BOC/POP entries authorized by notice, must match the original entry's name field. Only one return fee can be charged per returned item (though a returned fee can be reinitiated), and no fee can be charged on another return fee. If authorized by notice, the Return Fee Entry must settle within 45 days of the underlying item's return.

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Transaction Information *(CONTINUED)*

Pre-note Transactions

The purpose of a pre-note transaction is to send the banking information through the ACH network so the receiving bank can inform you of any errors in the transaction. Pre-notes must be processed at least 3 business days prior to the effective date of the live transaction.

We highly encourage all ACH Originators to make this a normal practice for any new transactions, especially if the transaction is for payroll or is time sensitive.

When you send a pre-note through the ACH network, you will only hear from the receiving bank when the information is incorrect. It is important that you update the information accordingly before processing the live transaction if you receive notice of incorrect information. This is called a Notification of Change or NOC.

An Originator that has originated a Prenotification Entry to a Receiver's account may initiate additional Entries to the Receiver's account as soon as the third Banking Day following the Settlement Date of the Prenotification Entry, provided the ODFI has not received a Return or a Notification of Change related to the Prenotification. If the ODFI receives a Return Entry or a Notification of Change in response to the Prenotification by the opening of business on the second Banking Day following the Settlement Date of the Prenotification, the Originator must not transmit additional Entries to the Receiver's account until it has remedied the reason for the Return Entry or made the correction requested by the Notification of Change.

What does the receiving bank verify? *The receiving bank is required to verify that the routing number and account number are valid. The pre-note does not guarantee the receiving bank that is validating the account number matches the name in the entry to the name on the account.*

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Federal Holidays

Holidays Observed by the Federal Reserve Bank System

Because ACH transactions are processed through the Federal Reserve Bank system, it is not possible for ACH transactions to have a **processing** or **effective** date on a Federal Holiday. Transactions scheduled to post on the holidays below will settle on the following business day.

Please keep these dates in mind when creating your ACH transactions. It's important that you plan accordingly throughout the year, so the receiving party has a clear understanding of when to expect the ACH transaction to post to their account. Expectations of how you will handle a transaction that would normally be scheduled on a Federal Holiday should be included on your authorizations. There are certain days throughout the year that Choice Bank may implement earlier cut-off times. We will notify you of any additional changes through email to the ACH contacts that we have listed on file.

Federal Reserve Holiday Calendar 2025-2029

	2025	2026	2027	2028	2029
New Year's Day	January 1 (Wednesday)	January 1 (Thursday)	January 1 (Friday)	January 1 (Saturday)	January 1 (Monday)
Martin Luther King Birthday	January 20 (Monday)	January 19 (Monday)	January 18 (Monday)	January 17 (Monday)	January 15 (Monday)
Washington's Birthday	February 17 (Monday)	February 16 (Monday)	February 15 (Monday)	February 21 (Monday)	February 19 (Monday)
Memorial Day	May 26 (Monday)	May 25 (Monday)	May 31 (Monday)	May 29 (Monday)	May 28 (Monday)
Juneteenth	June 19 (Thursday)	June 19 (Friday)	June 19 (Saturday)	June 19 (Monday)	June 19 (Tuesday)
Independence Day	July 4 (Friday)	July 4 (Saturday)	July 4 (Sunday)	July 4 (Tuesday)	July 4 (Wednesday)
Labor Day	September 1 (Monday)	September 7 (Monday)	September 6 (Monday)	September 4 (Monday)	September 3 (Monday)
Columbus Day	October 13 (Monday)	October 12 (Monday)	October 11 (Monday)	October 9 (Monday)	October 8 (Monday)
Veteran's Day	November 11 (Tuesday)	November 11 (Sunday)	November 11 (Saturday)	November 11 (Thursday)	November 11 (Wednesday)
Thanksgiving Day	November 27 (Thursday)	November 26 (Thursday)	November 25 (Thursday)	November 23 (Thursday)	November 22 (Thursday)
Christmas Day	December 25 (Thursday)	December 25 (Friday)	December 25 (Saturday)	December 25 (Monday)	December 25 (Tuesday)

For holidays falling on Saturday, Federal Reserve Banks and Branches will be open the preceding Friday.
For holidays falling on Sunday, Federal Reserve Banks and Branches will be closed the following Monday.

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Authorizations

Before a transaction can be originated, the individual or business (the Receiver) will need to authorize the transaction. This is obtained by using an authorization form or building the proper authorization verbiage into your existing agreements or contracts. Authorization documentation is required to remain on file for the time period in which you are originating ACH transactions and for 2 years after the authorization has been terminated.

It is very possible that you will be required to provide a copy of the authorization. A few situations in which you will be asked to make an authorization available are:

- Choice Bank request during an annual review.
- Customer or individual dispute – the receiving bank may want to see a copy in the event the receiver is claiming the transaction is unauthorized.
- Debiting an Account

If a receiving bank requests a copy, Choice Bank must provide the copy within 10 banking days. It's important that you store the authorization forms in a safe location but also have them accessible if a request has been made.

Example authorization forms are included. Please customize your authorization forms so it is clear the agreement is between your business/organization and the individual/business. Below you will find a list of information that is required to be included on your authorization forms as stated in the NACHA Operating Rules & Guidelines. We will send you an editable example form upon request. Generic forms can also be purchased through UMACHA (Upper Midwest ACH Association) at https://umacha.org/.

An authorization must include certain language and pieces of information.

- The name of your business
- Whether the transaction is a debit or credit
- Termination rights and the right of revocation
- Routing/transit number of the receiver's bank
- The receiver's account number at their bank
- The type of account: savings or checking
- Reference to a supporting document such as a voided check
- The signature of the receiver
- ACH transactions comply with applicable laws for all. For non-consumers specifically it must have language binding the receiver & originator to the NACHA Operating Rules
- Any special terms such as timing of entries, fixed, or variable dollar amounts
- And, when debiting consumer/personal accounts, specifically:
    o Language regarding whether the authorization obtained from the Receiver is for a Single Entry, multiple Entries, or Recurring Entries
    o The amount or reference to the method of determining the amount of the Entries
    o The timing (including start date), number, and/or frequency of the Entries
    o The Receiver's name or identity
    o The date of the Receiver's authorization
    o Language that instructs the Receiver how to revoke the authorization directly with the Originator (including the time and way 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.

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Authorizations *(CONTINUED)*

SEC Codes Explained

- PPD (Consumer) – Written or similarly authenticated authorization for debits/credits.
- TEL (Consumer) – Oral authorization obtained over the telephone. Record the call OR provide written confirmation of the authorization to the consumer prior to settlement. Verify the consumer's identity and document the authorization details (date, amount/method, company identity, callback number).
- CCD/CTX (Business) – Business-to-business transactions. Use a corporate agreement; include reversal and revocation terms; may include addenda for remittance data.

SEC Code	Use Case	Key Requirements
PPD	Consumer debit/credit with written authorization	Retain authorization; clear revocation terms
TEL	Consumer debit authorized by phone	Record oral auth OR send written confirmation; verify identity
CCD	Business-to-business credit/debit	Corporate agreement; use addenda for remittance
CTX	B2B credit/debit with multiple addenda	Detailed EDI remittance supported

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Examples

ACH Authorization Form for Consumer Payments

CONSUMER AUTHORIZATION FOR PREARRANGED PAYMENT VIA ACH (ACH DEBITS)

Prearranged Payment via ACH is the transfer of funds from a consumer account for the purpose of making a payment.

I (we) hereby authorize _____ ("COMPANY") to electronically debit my (our) account and, if necessary, to electronically credit my (our) account to correct erroneous debits as follows:

☐ Checking Account   ☐ Savings Account (select one) at the depository financial institution named below ("DEPOSITORY"). I (we) agree that ACH transactions I (we) authorize comply with all applicable laws.

Depository Name: _____

Routing Number: _____

Account Number: _____

Name(s) on the Account: _____

Amount of debit(s) or method of determining amount of debit(s) *[or specify range of acceptable dollar amounts authorized]*: _____

Start Date: _____

Date(s) and/or frequency of debit(s): _____

End Date (if applicable): _____

This authorization applies to (choose one): ☐ Single Entry   ☐ Multiple Entries   ☐ Recurring Entries

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY [insert manner of revocation, i.e., in writing, by phone, location, address, etc.] that I (we) wish to revoke this authorization. I (we) understand that COMPANY requires at least [X days/weeks] prior notice to cancel this authorization.

Name(s): _____
(Please print)

Signature(s): _____ Date: _____

NOTE: YOU MAY WANT TO INCLUDE ANY SPECIAL TERMS OR CONDITIONS AS PART OF YOUR AUTHORIZATION, FOR INSTANCE IF THE DOLLAR AMOUNT WILL NOT VARY OR THERE IS A SPECIFIC TERM TO THE AUTHORIZATION THAT SHOULD BE INCLUDED.

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Examples *(CONTINUED)*

Example of ACH Authorization Form for Consumer Credits

CONSUMER AUTHORIZATION FOR PREARRANGED DEPOSIT VIA ACH (ACH CREDITS)

Prearranged Deposit via ACH is the deposit of funds to a consumer's account, for example, payroll, employee expense reimbursement, government benefits, tax and other refunds, annuities, and interest payments.

I (we) hereby authorize _____ ("COMPANY") to electronically credit my (our) account and, if necessary, to electronically debit my (our) account to correct erroneous credits as follows:

☐ Checking Account   ☐ Savings Account (select one) at the depository financial institution named below ("DEPOSITORY"). I (we) agree that ACH transactions I (we) authorize comply with all applicable laws.

Depository Name: _____

Routing Number: _____

Account Number: _____

Name(s) on the Account: _____

Amount of debit(s) or method of determining amount of credits(s) *[or specify range of acceptable dollar amounts authorized]*: _____

Start Date: _____

Date(s) and/or frequency of debit(s): _____

End Date (if applicable): _____

This authorization applies to (choose one): ☐ Single Entry   ☐ Multiple Entries   ☐ Recurring Entries

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY [insert manner of revocation, i.e., in writing, by phone, location, address, etc.] that I (we) wish to revoke this authorization. I (we) understand that COMPANY requires at least [X days/weeks] prior notice to cancel this authorization.

Name(s): _____
(Please print)

Signature(s): _____ Date: _____

NOTE: YOU MAY WANT TO INCLUDE ANY SPECIAL TERMS OR CONDITIONS AS PART OF YOUR AUTHORIZATION, FOR INSTANCE IF THE DOLLAR AMOUNT WILL NOT VARY OR THERE IS A SPECIFIC TERM TO THE AUTHORIZATION THAT SHOULD BE INCLUDED.

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Examples *(CONTINUED)*

Example ACH Authorization Business to Business Transactions

ACH AGREEMENT EXECUTED BETWEEN COMPANIES - CORPORATE TRADE PAYMENTS

This Agreement, dated as of _____, 20___ , is between _____ ("Originator") and _____ ("Receiver").

RECITALS

    A.   Receiver wishes to have Originator initiate _____ [Credit] _____ [Debit] Entries to its account specified below (the "Account") in payment of obligations owed by _____ [Originator to Receiver] _____ [Receiver to Originator] by means of the Automated Clearing House (ACH) Network pursuant to the terms of this Agreement and Rules of the National Automated Clearing House Association (NACHA) relating to Corporate Trade Payment Entries (the "Rules"), and Originator is willing to initiate such Entries on the terms set forth below.

    B.   Unless otherwise defined herein, capitalized terms shall have the meanings provided in the Rules.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained herein, Originator and Receiver agree as follows:

1.   **Authorization**. Subject to the terms set forth below, Receiver authorizes Originator to initiate _____ [Credit] _____ [Debit] Entries to the Account in accordance with the Rules for obligations owing from time to time by _____ [Originator to Receiver] _____ [Receiver to Originator] resulting from [specify type(s) of services or obligations for which Entries may be initiated].

2.   **Authorization Limitations; Procedures.** No Entry shall be initiated under this Agreement except inconformity with the authorization provided above. Additional limitations are detailed below: (Specify other limitations, e.g., on the number of Entries that may be initiated in a given period, on the time of the month at which Entries may be initiated, on the dollar amount of any Entry that may be initiated, and/or on the aggregate dollar amount of all Entries that may be initiated in a given period.)

   _____
   _____
   _____
   _____

   If applicable, specify procedures for Receiver to inform Originator of the dollar amount of Entries to be initiated.

   _____
   _____
   _____
   _____

   No single Entry initiated under this Agreement shall be in excess of $_____ such maximum amount may be changed by Receiver from time to time on _____ days prior written notice by Originator.

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Example ACH Authorization Business to Business Transactions (CONTINUED)
ACH AGREEMENT EXECUTED BETWEEN COMPANIES - CORPORATE TRADE PAYMENTS

3. **Originators Failure to Originate.** _____[Debit Entries] Receiver shall not be deemed to default on any obligation or suffer any loss of discount or other penalty by reason of the failure of Originator to initiate any Debit Entry in accordance with the terms of this Agreement, or by reason of any delay in receipt by Receiver's financial institution, or the non-receipt by such institution of any Debit Entry initiated by Originator.

4. **Compliance with Rules.** Receiver shall comply with and be bound by the Rules as in effect from time to time.

5. **Acceptance and Return of Entries.** Nothing contained herein shall be deemed to require Receiver or its financial institution to accept any Entry initiated under this Agreement, and any such Entry may be returned in accordance with the Rules. Receiver shall not be deemed to have accepted any Entry that is returned in accordance with the Rules.

   [Credit Entries] Originator shall not be deemed in default on any obligation or suffer any loss of discount or other penalty by reason of the return of any Entry, provided such Entry was initiated in accordance with the terms of this Agreement. Notwithstanding any statement contained in any Entry or any data transmitted with any Entry, and notwithstanding the failure to return any Entry in accordance with the Rules, Receiver shall not be deemed to have accepted any Entry as being in the correct amount if, within 45 days after receipt of the Entry by its financial institution, Receiver provides written notice to Originator of a discrepancy.

6. **Credit for Entries.** _____ [Credit Entries] Unless such Entry is returned in accordance with the Rules, Receiver shall, as of the date the amount of such Entry is credited to the Account, credit Originator with the Amount of each Entry received and interest or other charges payable with respect to the amount of such Entry shall cease of the time.
   _____ [Debit Entries] Unless such Entry is returned in accordance with the Rules, Originator shall, as of the date of such Entry is credit to its Account with its financial institution, credit Receiver with the amount of each Entry received.

7. **Entry Information.** Each Entry initiated under this Agreement shall be accompanied by the following information: [Describe monthly or other periodic information to be furnished Receiver.]
   _____
   _____

8. **Receiver's Account.** The Account is the following deposit Account maintained by Receiver:
   Financial Institution (name & routing #): _____
   Account #: _____
   Bank of Location: _____ Telephone #: _____

   If Receiver is a natural person, Receiver represents to Originator that the Account is, and during the term of this Agreement, will be, maintained primarily for business, and not for personal, family, or household purposes.

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Example ACH Authorization Business to Business Transactions (CONTINUED)
ACH AGREEMENT EXECUTED BETWEEN COMPANIES - CORPORATE TRADE PAYMENTS

9. **Questions and Errors.** In the event of any questions or error relating to Entries initiated pursuant to this Agreement, Receiver should contact _____, and Originator should contact _____.

10. The Financial Institution's security procedures shall include the determination of certain exposure limits which includes but may not be limited to (1) the value of ACH files, (2) the value or number of individual ACH entries, (3) the frequency of origination of ACH files and (4) the consideration of exposure over multiple settlement dates. The Company shall comply with exposure limits established by the Financial Institution in accordance with the attached Schedule. The Financial Institution is responsible to notify the Company of exceptions and to periodically review such established exposure limits.

11. The Company shall notify the Receiver of any reversing entry initiated to the Receiver's account to correct an entry it has initiated in error. The notification to the Receiver must include the reason for the reversing entry and must be made no later than settlement date of the reversing entry.

12. It shall be the responsibility of the Company that the origination of ACH transactions complies with U.S. law. This includes but is not limited to the sanctions enforced by the Office of Foreign Assets Control (OFAC).

13. **Liabilities of Parties.** Neither Originator nor Receiver shall be liable for the act or omission of any Automated Clearing House, financial institution, or other person.

14. **Notice.** Any written notice or other written communication required or permitted to be given under this Agreement shall be delivered, or sent by U.S. registered mail, postage prepaid, and, if to Originator addressed to:

Company Name: _____ Attn:_____
Address: _____ City/State/Zip: _____

and, if to Receiver, addressed to:

Company Name: _____ Attn:_____
Address: _____ City/State/Zip: _____

unless another address is substituted by notice delivered or sent as provided herein. Any such notice shall be deemed given when [so delivered or sent] [received].

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Example ACH Authorization Business to Business Transactions (CONTINUED)
ACH AGREEMENT EXECUTED BETWEEN COMPANIES - CORPORATE TRADE PAYMENTS

15. **Termination.** This Agreement may be terminated by Originator or Receiver at any time by giving _____ days prior written notice to the other party. Notwithstanding such termination, this Agreement shall remain in force and effect as to all transactions that have occurred prior to the date of the termination.

ACCEPTED BY:

ORIGINATIOR

RECEIVER

_____

_____

Name & Title

Name & Title

_____

_____

Date

Date

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Important Terminology

Notifications of Change (NOC)

There are instances where we may provide you with a Notification of Change (NOC). This is a correction notice that is created by your employee, vendor, or customer's (Receiver) financial institution and sent to Choice Bank. The correction notice is meant for you to take action and update the ACH transaction information accordingly before the next live transaction. Correction notices should only be received one time. If multiple NOCs are received with the same message, we may be required to develop a corrective action to help you remain in compliance with the NACHA Operating Rules & Guidelines. Getting an NOC for the same reason more than once is considered a repeat NOC and is a NACHA violation. The Originator must make the changes specified in the NOC or corrected NOC within six Banking Days of receipt of the NOC information or prior to initiating another Entry to the Receiver's account, whichever is later.

Notification of Return

An ACH return happens when we send an electronic payment request to a customer's bank and their bank sends it back because the payment couldn't be processed. This can occur for several reasons– for example, the customer may not have enough funds, the account might be closed, the account information could be incorrect, or the customer's bank indicates the payment wasn't authorized. When an ACH return happens, the payment does not go through, we receive a return code explaining why, and we may need to contact the customer, correct the information, or retry the payment if the rules allow. We will notify you of a return through online banking. The report will include the return reason, the transaction information, and details about the adjustment that was made to your account.

Reversals

There are certain situations in which you may have a need to reverse an ACH transaction. Reversals can be originated within 5 business days after the effective date of the original transaction. There are certain requirements and restrictions when originating a reversal. For this reason, please contact a member of our Cash Management Operations team for assistance with Reversals.

Transaction Re-initiations

Transactions can be re-initiated within 180 days from the original entry date for one of the following reasons:
- It was returned for insufficient or uncollected funds.
- The entry was returned for stopped payment, and re-initiation has been separately authorized by the receiver after you received the return entry.
- You have taken corrective action to remedy the reason for the return.

To reinitiate an entry, the transaction will need to be in a separate file and contain the words "RETRY PYMT" in the Company Entry Description field. The Company name, Company ID, and amount must be exactly the same as it was in the original transaction.

Returned Entries

If you receive a return item as Unauthorized Entry or Authorization Revoked, you must request a new ACH Authorization or Corporate Trade Agreement prior to originating the transaction again. We will notify you of any returns and include the return reason in the notification. Returned entries will require you to act prior to originating the next transaction. Please contact the Cash Management Operations team for assistance if you are uncertain how to handle the return.

Return reasons for unauthorized entry or authorization revoked are tracked within the ACH Network. If your organization reaches a return rate of 0.05%, we may be required to work with you on a corrective action.

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Common Return Reasons

Return Code	What it Means:	What To Do:
R01 - **Insufficient Funds**	There were insufficient funds in your customer's account to complete the transaction.	You can try the transaction again (you will need to re-enter it as a new transaction) up to two times within 30 days of the original authorization date. You can also contact your customer for a different form of payment or ask them for a date when the account will contain funds so that you can manually submit the transaction again.
R02 - **Account Closed**	Account Closed	Contact customer for a current account; do not reinitiate to the closed account.
R03 - **No Account / Unable to Locate Account**	No Account / Unable to Locate Account	Verify routing/account details with the customer; correct the record before any retry.
R04 - **Invalid Account Number**	Invalid Account Number	Check for data entry errors and format/length; obtain correct account info prior to reinitiation.
R20 - **Non-Transaction Account**	Non-Transaction Account	Confirm account type; request a transactional account (checking/savings) eligible for ACH.
R23 - **Credit Entry Refused by Receiver**	Credit Entry Refused by Receiver	Contact receiver to determine reason; only reinitiate if resolved/authorized.
R24 - **Duplicate Entry**	Duplicate Entry	Do not reinitiate; review origination controls to prevent duplicates (file controls, idempotency).
R05 - **Unauthorized Debit to Consumer Account Using Corporate SEC Code**	Unauthorized Debit to Consumer Account Using Corporate SEC Code	Verify account type and SEC code; obtain/confirm consumer authorization; reprocess only using correct consumer SEC (PPD/WEB).
R07 - **Authorization Revoked by Customer**	Authorization Revoked by Customer	Cease further debits; obtain new authorization if appropriate; keep revocation records; do not reinitiate without new consent.
R10 - **Customer Advises Entry Not Authorized (consumer)**	Customer Advises Entry Not Authorized (consumer)	Contact consumer to validate/collect authorization; correct onboarding gaps; do not reinitiate without proper authorization.
R11* - **Entry Not in Accordance with Authorization (amount/date error)**	Entry Not in Accordance with Authorization (amount/date error)	Investigate authorization terms vs. posted entry; correct parameters and obtain confirmation before any retry.
R29 - **Corporate Customer Advises Not Authorized (non-consumer)**	Corporate Customer Advises Not Authorized (non-consumer)	Engage corporate customer immediately; resolve authorization; retries not allowed without documented authorization and ODFI/RDFI cooperation for late cases.
R51 - **Item Related to RCK Entry is Ineligible or Improper**	Item Related to RCK Entry is Ineligible or Improper	Review source check and RCK eligibility; correct error or refund; avoid reinitiation if item is ineligible.

*An Originator that has received a Return Entry using Return Reason Code R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization) may correct, if possible, the error or defect in the original Entry and Transmit a new Entry that conforms to the terms of the original authorization, without the need for re-authorization by the Receiver. The Originator must Transmit the new Entry within 60 days after the Settlement Date of the Return Entry.

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Common Return Reasons *(CONTINUED)*

The following ACH Return Codes are designated as "**unauthorized**" Chargebacks.

- R05 - Unauthorized Debit to Consumer Account Using Corporate SEC Code
- R07 - Authorization Revoked by Customer
- R10 - Customer Advises Unauthorized, Improper, Ineligible, or part of an Incomplete Transaction
- R29 - Corporate Customer Advises Not Authorized

What it Means: If a consumer transaction is returned with an unauthorized return code, it means that the consumer has presented a signed statement to their bank stating that one or more of the following is the case:

- The transaction was never authorized by the account holder or authorization was revoked.
- The transaction was processed on a date earlier than authorized.
- The transaction is for an amount different than authorized.

What To Do: If you receive a return item as Unauthorized Entry or Authorization Revoked, you may not resubmit the transaction. It will be necessary to receive a new authorization agreement with the receiver prior to processing a new transaction.

- R11 - An Originator that has received a Return Entry using Return Reason Code R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization) may correct, if possible, the error or defect in the original Entry and Transmit a new Entry that conforms to the terms of the original authorization, without the need for re-authorization by the Receiver. The Originator must Transmit the new Entry within 60 days after the Settlement Date of the Return Entry

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NACHA Operating Rules & Guidelines

The NACHA Operating Rules & Guidelines can be accessed by signing up at https://nachaoperatingrulesonline.org/. Prior to your training, please register at this website to access the Rules. Registering in advance will save time during training.
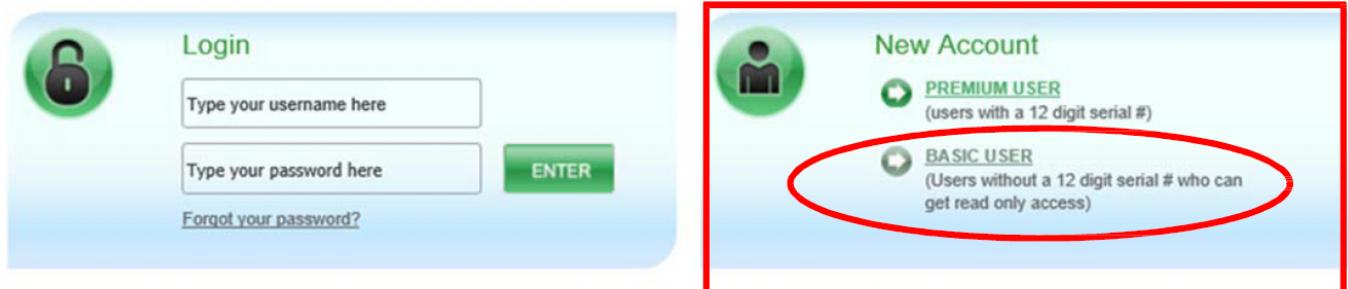
Choose "Basic User" while establishing a NEWACCOUNT on the right-hand side of the page. The website will ask you to register and establish a Username and Password. Please save this site in your favorites so you can easily access the Rules if necessary. Hard copy books and CD Rom of the NACHA Operating Rules & Guidelines are available upon request. Please refer to the Cash Management Fee Schedule for pricing information.

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Origination Reviews

Financial Institutions are required to complete periodic reviews on all Originators. The purpose of the review is to be sure the ACH transactions you are originating are compliant with the NACHA Operating Rules & Guidelines and the ACH dollar limits in place are appropriately meeting your needs. We also want to be sure we are providing a service to you that is efficient and user-friendly and that you have the resources you need to be successful with your electronic payments program.

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ACH Network

What is the ACH?

The Automated Clearinghouse (ACH) is a batch processing, electronic payment system that clears and settles most payments it handles in one day. Here's how it works:

- Business or organization or person sends payment instructions to its bank—e.g., an order to deposit payroll credits to employee accounts or pay a supplier or a bill
- The bank originating the ACH transaction groups similar kinds of payments received from multiple business customers into "batches" (e.g., payroll credits to employees or payments to suppliers) and transmits them in an electronic file to its ACH operator for editing and processing
- ACH operator electronically delivers payroll credits and supplier/bill payments to banks receiving payments on behalf of their customers (e.g., payroll deposit to employee or payment to supplier)
- The receiving bank credits the account of the receiver (e.g., employee or supplier)

Why is ACH Attractive for Small Businesses?

- It is secure and reliable
- ACH is especially useful for batch payments (e.g., payroll) and recurring payments (e.g., monthly bills like rent)
- After initial set-up cost, ongoing bank fees are relatively modest
- ACH allows for funding by checking or savings account, and/or pre-funding
- Fraud risk is lower than with checks; but business must monitor ACH debits received
- Remittance data (information that explains what the payment is for) can be included with the ACH item (in the addenda record)

Things for Small Businesses to Keep in Mind When Considering ACH:

- Initial set-up to originate or receive ACH may be technically challenging
- Originators of ACH payments must know banking account information (including routing and transit number and account number) of each business, organization, or person who is receiving a payment
- Returns/NOCs must be managed in a timely manner
- Rules and procedures are rather complex
- Acceptance is quite widespread among parties being paid, but ACH payments are not as commonly accepted as checks
- Credit check/underwriting may be required for originators of ACH payments

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Are You Protected?

How can a cyber-attack happen?

Businesses usually become compromised through a "phishing" attack. This attack might be disguised in a fraudulent email that appears to be a credible communication or it might be embedded in a website. When links or attachments in an email or on a website are opened, malware may be installed on the user's computer. This malware may record keystrokes, capture otherwise secure information, and allow the attacker access to the network. In another type of scheme, the attacker intercepts email communication or "spoofs" employee email addresses, making it appear that an email is being sent legitimately from a coworker or vendor. In this case, the attackers then use this compromised communication to instruct the employee to wire or transfer money.

To put it in plainly, systems usually become compromised because of something someone does (i.e. employee clicks on an attachment from an unknown source) or something that someone doesn't do (i.e. failing to set a strong password or failure to patch operating systems and ancillary applications such as Adobe and Java). Having the best firewall on the market isn't enough to protect you. Every business needs well informed employees that can understand and identify various threats. Furthermore, it's equally important they recognize how certain actions or inaction can put the company in a comprised position.

What can you do to prevent a cyber-attack?

Employee Practices and Policies

- Train and educate employees on an on-going basis.
- Create strong policies around password requirements (length, complexity, and expiration), use of email, and internet usage. Prohibit shared IDs and passwords.
- Require employees to review and sign an acceptable use statement that outlines your security policies and hold them accountable to these policies.
- Limit administrative rights for your employees so they are unable to download malware or viruses embedded in seemingly harmless applications.
- Assign access to data based on each employee's need.
- If you receive an email requesting changes to your banking information, please contact Choice Bank at (844) 677-3655 to verify the legitimacy of the request.

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Are You Protected? *(CONTINUED)*

Network Practices

- Deploy strong network security including a dedicated and actively managed firewall, anti-virus solutions, anti-malware solutions, and intrusion detection/prevention systems.
- Install operating system and ancillary application patches on a regular basis.
- Seal off sensitive data on the network from third-party systems.
- Use encryption solutions as appropriate (email, laptops, thumb drives, cell phones).
- Test and validate the effectiveness of controls.

Online Banking Practices

- Use online banking to frequently review account activity.
- Require the use of dual-control for ACH and wire transfer origination.
- Utilize an out-of-band authentication method to confirm transfer requests (i.e., if a vendor sends you an email including wire instructions, call the vendor back on the phone to confirm the instructions).
- Verify that all online banking sessions are secure.
- Avoid using Automatic Log-In features.
- Do not access online banking from a public computer.
- Utilize other cash management services that add additional protection (i.e, Positive Pay and ACH filter.)
- Promptly report suspicious performance (workstation or the website).

Choice Bank values your business and is dedicated to helping safeguard the financial assets you've entrusted us with!

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