
ACH Policy

October 11, 2019

Xtend



ACH Processing

ACH files are received three times a day by CU*Answers Operations Department Monday through Friday. Currently, CU*Answers post four times a day; the first ACH file is posted around 4:00AM-5:00 AM EST for all effective dated ACH files, the second file is posted around 1:00 PM EST, the third file is posted around 4:00 PM, and the fourth file is posted around 10:00 PM EST for ACH Debits and Credits. You can verify the time the ACH file is received in and the time the ACH is posted by viewing the Smart Operator screen using tool #822.

ACH exceptions such as NSF, Invalid, Stops, etc. are posted to the GL 870-11. All ACH exceptions are reviewed the next morning and the ACH return and NOC/notification of change items will be processed before 3:00 pm ET which is CU*Answers' cut-off time for the day.

The ACH Return/NOC report is created using tool #686 and will be saved in the credit union's DAILY outque for normal archiving.

A journal entry is posted for each ACH settlement amount that shows on the Federal Reserve Advice or Corporate Account History by date between the ACH clearing account GL and the corporate account GL. The ACH clearing EOD balance will be verified daily by making sure the account balance for yesterday goes to zero.

A journal entry is also posted for the ACH return items from GL 870-11 to the corporate account GL. The GL 870-11 ACH exception GL balance will be verified to the current day's LACHXC exception report.

Credit Union Rules to follow to work the ACH Exceptions:

The following is the list of exception types and how the credit union will process the exception.

General Ledger: ACH transactions that come in to post for the credit union will be updated in the maintenance screen on tool #989 with the appropriate GL number so that all future transactions auto-post. The posted GL transactions can be seen on the PXACH2 ACH General Ledger Payable Posting Register.

Note: If you are submitting an ACH GL Account Number to a vendor you will need to supply them with the following format in order for the GL item to post correctly or be communicated correctly with Xtend.

Acct Number = 01BBXXXXX 01 = Corporate ID, BB = Branch # and XXXXX = GL Acct Number

Clarke/Harland, Bank-A-Count, Main Street (etc.) Check Order fees: If the member does not have the funds and shows NSF on the ACH exception screen, post this item to the members account taking the account negative.

Invalid Accounts: The PACHSU report is worked each day to eliminate the invalid exceptions on this screen. However, if the account cannot be located then it will be returned as Invalid (R03) or Closed account (R02).

Stop Payment Suspects: When an ACH exception is listed with a T/C “08” as Stop Payment then the stop payment comment detail will be matched to this record or the distribution record will be viewed to see if the T/C is a “08”. In either case, if it’s a good match then the ACH transaction is returned as stop payment (R08) and no fee is charged. If it’s not a match then the POST function will be taken to post the ACH transaction to the member’s account and no fee will be charged.

Special Note: If the ACH record was stopped due to the ACH distribution record containing a T/C of “08”, then this is considered a one-time stop and the T/C of “08” will be changed back to “SW”.

Permanent stop payments are placed either as a suspended ACH record or a draft stop payment record with a date of all 9’s.

Frozen Accounts: This status indicates that the account is frozen per the comments on the account. The ACH transaction should be reviewed with the credit union unless comment states otherwise. These ACH transactions are returned as Frozen (R16) and no NSF fee is charged per the credit union’s decision.

NSF items: These ACH transactions are returned (R01) if funds are not available however if funds are now available the Post function will be taken to post the transaction. The NSF fee assessed from last night will remain on the account.

Special Note: ANR & ACH Repost (CU*Answers ANR Booklet)

Because of the unique way that ACH items are processed; it is possible that members might receive more than one fee on the same ACH debit item.

Here’s the scenario: An ACH debit fails to post due to insufficient available funds on the first pass. Your configured NSF fee is posted to the account and the item is placed on the exception report to be processed a second time the next morning.

Because your credit union's policy is to help members avoid items being returned as much as possible, you choose to take advantage of the ACH re-post process on the Work ACH Exceptions screen (Tool #983). When an NSF item is selected on that screen and the Post command is executed, what happens next depends on the status of that account at that moment:

1. If the member's available balance has not changed, nothing more will happen on the member's account with the re-post and the item will be returned as NSF when you process your ACH returns.

2. If the member has made a deposit between the last posting attempt and the re-post process:

- a) The deposit allows the item to clear as long as both the current balance and available balance exceed the ACH debit transaction amount. (The member is NSF when the item was originally presented but clears in the next post with no additional fee.) OR

- b) The deposit is short of the entire amount needed, but does raise the available balance enough so that a courtesy pay transaction can be cleared. This results in a second fee on the account – **this one an ANR (non-return) fee** – for the ANR clearing.

3. Likewise, if the member's ANR limit has changed between the last posting attempt and the re-post process to the extent that the item can clear, a re-post will result in a second fee on the account for the ANR clearing. A member's ANR limit might change due to:

- a) A deposit being made between the postings, as already described.

- b) Your CU has a 3rd-party program that evaluates and adjusts member limits between the postings.

- c) A manual adjustment being made to the limit between postings.

The ACH re-post feature is a tool to effectively re-present the batch of exceptions from the last posting so they will attempt to post a second time. It will try all of the available clearing tactics available to CU*BASE: Automated Non>Returns 13

- Clear based on the current balance and available balance being greater than the item presented, or

- Clear based on the ANR limit, should the available balance plus limit allow for the item to be processed (ANR fees apply), or
- Fail the item if available funds in any combination are not greater than the debit being processed.

Bottom line...Although you can, of course, choose to reverse either or both of the fees manually, if you do not want to risk double-feeing a single transaction through this dual process, **you may prefer NOT to use the ACH re-post tool for NSF items.**

IAT/International transactions: The OFAC scan is performed on all IAT transactions which write out comments in the member's tracker. If the transaction passes the scan then it will be either posted to the member's account or returned based off the balance of the member's account. If the transaction does not pass the OFAC scan then you need to refer this item to your OFAC officer to perform their due diligence and follow the internal procedure.

An OFAC Officer should be assigned for a CU Contact for Xtend. We will communicate with this individual to assist in failed OFAC items.

The Credit Union can review all IAT transactions for that day using the PACXTB4 in CU*SPY.

Pre-notes: Preliminary transactions with an amount equal to zero are sent in advance of the live transactions so that the account number and tran code can be verified. If the transaction is a valid account and tran code, Xtend will delete the ACH record from the exceptions. If the account number is invalid, Xtend will return the item as R03. If the transaction requires a NOC, Xtend will process transactions with a PPD tran code only. The Credit Union can review all prenotes for that day using the PACXTB3 in CU*SPY.

Notifications of Change (NOC): If a transaction requires NOC, Xtend will create a record of change to send back to the originator indicating a recommended update to the account number and/or tran code. Xtend will process NOC for PPD transactions only.

PACHSU – ACH Exception Report: This exception report is run on demand using tool #672 excluding NSF records so that the maintenance can be performed on the account number using Tool 989. Exceptions listed as invalid distribution record will be updated by deleting the closed suffix from the distribution maintenance screen. Inquiry will be

used to locate the invalid account number using the ACH name as verification and then updated in the ACH maintenance screen.

Force PAY NSF ACH items: ACH exceptions that were maintained as returned items can be deleted prior to the current day cut-off time of 3:00 pm ET on tool #983. Once the return is deleted, the transaction will be manually posted to the member's account using GL 870.11.

Death Notifications: The Federal Reserve will notify us that they received a certificate of death for one of your members by sending us a DNE record where the detail will print on the PACXTB2 report. Xtend will update the ACH record in the ACH distribution maintenance tool #989, so the ACH deposit will kick out to the exceptions when received and we can return that deposit on a timely basis.

Xtend will notify the credit union of any DNE using secured email to send the information over. The credit union will be responsible for updating the member's account number with the date of death and whether or not the account should be frozen.

Returning Deceased Member Deposits Only for Government Deposits: Xtend will return all government deposit depending on the individual who has passed, such as SSA Treas, US Treas, etc. Xtend will use R14 for Representation payee who is deceased or unable to continue in that capacity. Xtend will use R15 for the Beneficiary or account holder deceased.

Dishonored Returns (Rejected): The Federal Reserve will send rejected ACH returns back and they will show on the PACHD2 Dishonored Return/NOC report. An example of these transaction would be anything that was rejected as untimely, field error, etc. Xtend will review these rejected transactions and determine the most appropriate action will be taken based off the reject reason code and the ACH rule book. If a contested return is needed, we will create/build a return on CU*Base using the information/guidance of the ACH rule book and reason code.

ACH Origination Returns: If your credit union originates ACH transactions through a third party or uses the A2A feature on CU*Base, Xtend will review the deposit or loan payment from the members account and process an adjustment using GL 870.11, if needed. The description may read 'ACH ORIG RTN XXXX'. XXX = NSF, INV, CLSD, etc. Xtend will send the ACH Origination Return to the Credit Union to notify them of the item being returned. The credit union will need to follow their policies and procedures based on how the item is being returned.

New Company Report (PACHD3): The new company report is reviewed each day looking for large number of transactions per companies that will show up if the company number was changed. Since the ACH distribution records only post if the company uses the same company number then reviewing this report can give us the window, we need to copy the distribution records from the old company number to the new company number thus allowing the distribution to post.

CU*BASE Unavailability. If CU*BASE is unavailable for an extended period, Xtend will prepare for missing deadlines and evaluate the impact on the credit union. Xtend would submit share draft returns manually through the credit unions share draft vendor website if needed. Once CU*BASE is made available, Xtend will process exceptions as described in this document. Xtend will follow CU*Answers determination on when the return files can be sent. If not, Xtend would submit share draft returns manually through the credit unions share draft vendor website. Xtend must rely on CU*Answers Operations team to submit ACH returns.