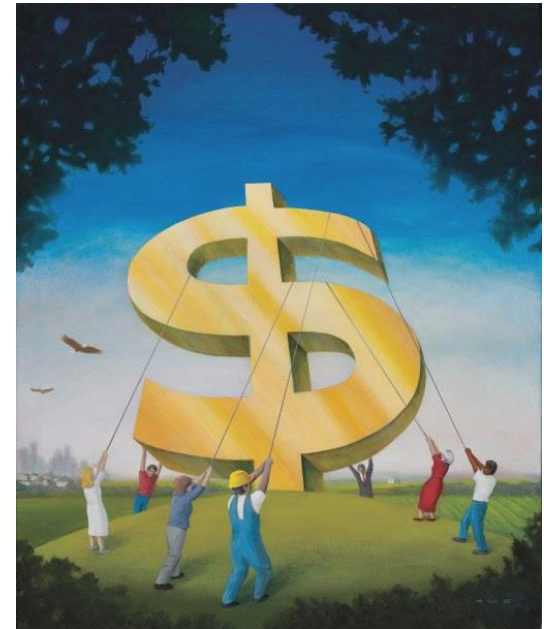


# Old Point ACH Services Annual Training 2014



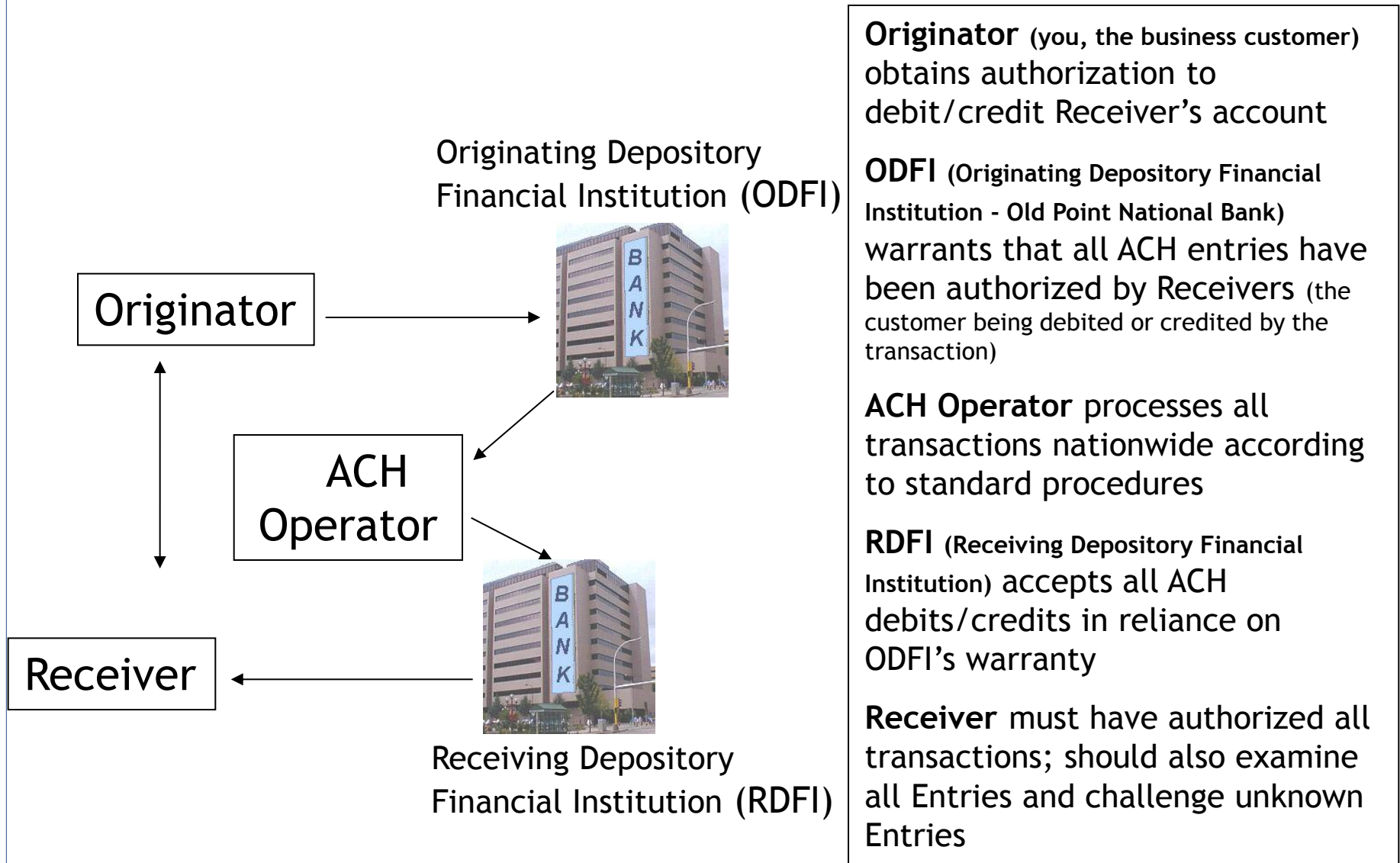
- ACH Payments
- ACH Receipts
- ACH Collections
- ACH Payroll



# Introduction to ACH Services



## How does an ACH payment flow through the Network?





## Introduction to ACH Services

- What is an ACH Originator?
  - Originators can be companies, government agencies or individuals
  - The Originator is the party in an ACH transaction that agrees to initiate the transfer of funds, regardless of whether the transaction is a credit or a debit. Generally, if you have an ACH Agreement with Old Point National Bank, you are the Originator.
  - The Originator always **must** have a relationship with the Receiver, and have *Authorization* to debit or credit the receiver's account.





# Components of a Consumer ACH Authorization

This is a document that gives you, the Originator, the authority to debit or credit the Receiver's account. It must include the following components:

- Company Name - yours
- Authorization Language - the receiver must authorize you to debit or credit their account
- Depository Institution Name, Branch, City, State, Zip
- Receiver's Routing and Account Number
- Receiver's Name/ID Number
- Authorization to Credit is not required to be in writing, but it is recommended, to reduce potential errors.
- Authorization to Debit **MUST** be in writing, signed by the receiver, and a copy provided to the receiver.
- Method of Revocation - how does the receiver revoke this authorization?
- Date and Signature of the receiver, or an authorized signer on the account that will be debited or credited.

**Completed authorizations must be retained by the Originator for a period of at least two years following revocation or termination**



## Sample Authorization Agreement (for ACH debits)

“I (we) authorize \_\_\_\_\_, (“COMPANY”), to electronically debit my (our) account (and, if necessary, electronically credit my (our) account to correct erroneous debits as follows:

\_Checking/\_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 law.”

Depository Name \_\_\_\_\_

Routing Number \_\_\_\_\_ Account Number \_\_\_\_\_

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

Date(s) and/or frequency of debit(s): \_\_\_\_\_

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 day/weeks] prior notice in order to cancel this authorization.

Name(s) \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_

Note: Debit authorizations must provide that the Receiver may revoke the authorization only by notifying the Originator in the manner specified in the authorization.



## Agreements for Corporate Transactions

- Agreements for Corporate Transactions (Business To Business Entries) can vary depending on the complexity of the application and the relationship between the Originator and the Receiver
- Originator agrees that it will provide, upon request, a copy of the ACH Authorization. It is understood that an authorization between businesses may be within a contract or more extensive agreement; only the portion of the agreement related to the ACH transaction must be provided on request.
  - CCD/Corporate Credit or Debit
  - CCD+/Corporate Credit or Debit w/ limited Remittance Information
  - CTX/Corporate Trade Exchange w/ Remittance Information





# Network Participant Responsibilities

	Originators - You	ODFI - Old Point National Bank
Reclaim Benefit Payments	✓	
Comply with the re-initiation rules	✓	
Obtain and retain authorizations	✓	
Provide copies of authorizations	✓	
Notify Receivers of variable debiting	✓	
Respond to NOCs	✓	
Initiate Reversals when appropriate	✓	
Comply with all <i>NACHA Operating Rules</i>	✓	✓
Establish communication standards		✓
Transmit Entries to the ACH Operator		✓
Provide network warranties		✓



## Originating Prenotifications - or “PreNotes”

- A Prenotification Entry (or PreNote) is a non-dollar transaction that is used to validate that the banking information utilized is accurate
- Prenotes are optional. However, if used, the Originator must comply with special rules provisions
- Specifically, if a Prenote is sent, the first live Entry cannot be originated prior to three Banking Days later
- If a Prenote results in a Notification of Change (NOC) being sent, the information indicated must be changed within six Banking Days or prior to the next live Entry being sent







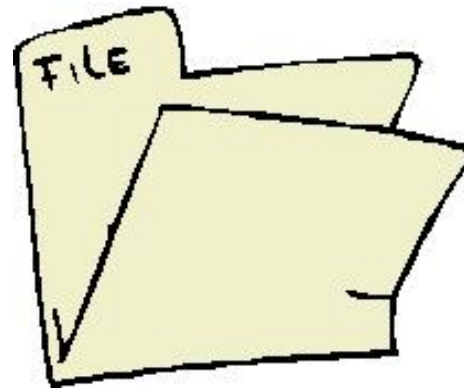
## Re-Initiating ACH Entries

- ACH Entries may only be re-initiated under certain conditions
  - Insufficient Funds or Uncollected Funds
  - Stop Payment or Revoked Authorization *and a new authorization has been provided*
  - Erroneous/Unprocessable and corrected by Originator
  - Entry re-initiated less than two times previously



## Retaining ACH Authorizations

- All Authorizations must be retained for a period of at least two years following termination (in the case of recurring Entries) or the Settlement Date (in the case of non-recurring Entries)
- And if requested by an RDFI, the Originator must provide a copy of a Authorization within 10 Banking Days





## Handling Variable Debits

- If the dollar amount of a recurring debit Entry will be changed by the Originator, the Receiver must receive notice at least 10 calendar days prior to the change taking place
- If the Settlement Date of a recurring debit Entry will be changed, the Originator must provide the Receiver with notice at least 7 calendar days in advance of the change taking effect





## Notifications of Change - NOC

- Notifications of Change - NOC - are sent by the RDFI to make the Originator aware of a change that must be made to the current banking information being used to send payments to a Receiver, such as
  - Receiver Name
  - Account Number
  - Routing Number
  - Type of Account
  
- Upon receipt of a Notification of Change, requested changes must be made within six Banking Days or prior to the initiation of the next Entry, whichever is later
- When reviewing an NOC, it is important to note whether the transaction amount has been rejected and returned, or the NOC is solely informational.
- Old Point will fax NOCs to the originator when received. To obtain information by secure email and reader friendly format, contact Old Point Treasury Services to take advantage of our ACH Addenda Reporting.





## Reversing File

- Reversing File is used to correct a Duplicate or an Erroneous File in which substantially all of the Entries were incorrect
- Only the Originator, the ODFI or ACH Operator can initiate a Reversing File and can be identified by the RDFI by the word **“REVERSAL”** in the **Company Entry Description Field**
- In the event of a Duplicate File, a Reversing File removes the Duplicate File by changing Transaction Codes from debits to credits or credits to debits
- In the event of an Erroneous file, both a Reversing File and a Correcting file containing corrected data are transmitted to the RDFI
- Each Reversing File must be made available for the RDFI within **five** Banking Days after the Settlement Date of the Duplicate or Erroneous File
- To initiate a reversing file, contact Old Point National Bank’s eServices Department at (757) 728-1250 for assistance.



## Reversing Entry

- A Reversing Entry is initiated to correct an Erroneous credit or debit Entry previously initiated to a Receiver's account. An Erroneous Entry is:
  - An Entry that is a duplicate of an Entry previously initiated by the Originator or ODFI, that orders payment to or from a Receiver not intended to be credited or debited by the Originator; or
  - It orders payment in a dollar amount different than the Originator intended
  
- **The Reversing Entry must be transmitted to the RDFI by midnight of the fifth Banking Day following Settlement of the Erroneous Entry**
  
- The Originator must notify the Receiver of the Reversing Entry and the reason for it no later than the Settlement Date of the Reversing Entry
  - The method of notification is left to the Originator's discretion



## Rules Compliance - A Checklist Review

- Ensure Entries are properly authorized
- Comply with the re-initiation rules
- Terminate Entries that are no longer legitimate; follow-up on Revocations of Authorization immediately
- Protect sensitive banking information
- Immediately correct Entries that contain inaccurate information
- Be aware of rule changes and your responsibilities under the Rules



## Rules Enforcement

- NACHA has the authority to levy fines for non-compliance with the *Operating Rules*
- The current ACH fine structure went into effect December 21, 2007 with added reporting obligations that became effective March 21, 2008
- The fines range from up to \$1000 for a first recurrence up to and including \$500,000 a month for Willful Disregard



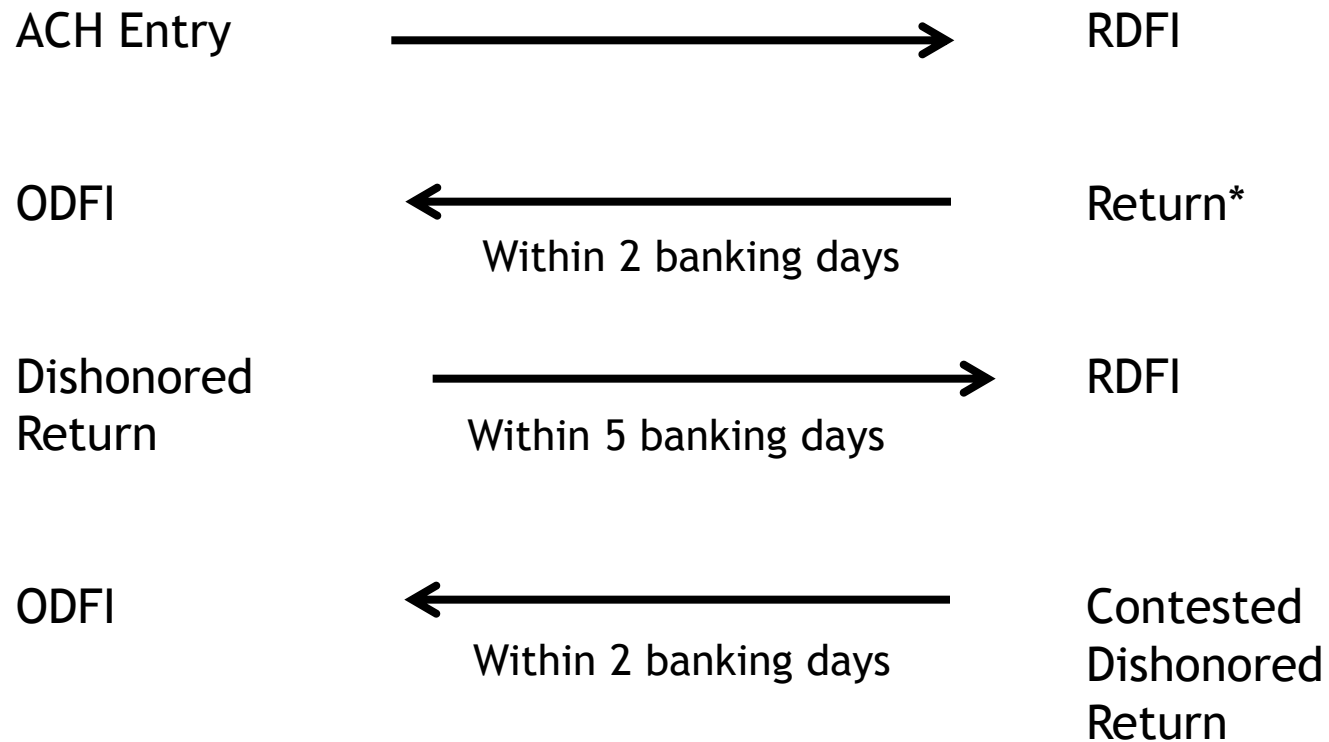


## Exceptions Processing

- If an Entry requires special handling by either the ODFI or the RDFI, manual posting may be required
  - ✓ Returns, Dishonored Returns, Contested Dishonored Returns
  - ✓ Rejected Entries
  - ✓ NOCs, Refused NOCs
  - ✓ ODFI Requests for Returns
  - ✓ Reversals
  
- Financial Institutions will not “suspend” ACH Entries! Entries will be posted on a timely basis or returned within a proper timeframe



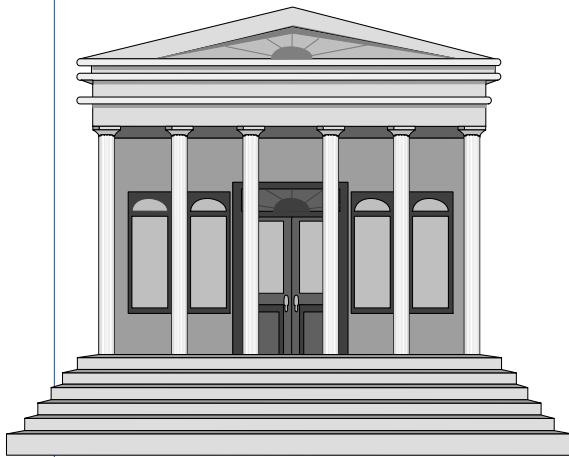
## Return Flow And Timeframes



\* Two-day return applies to returns for NSF, Stop Payment, and Uncollected only. Consumer receivers are protected by Regulation E and have 60 days from the transaction's effective date to return an ACH item for reasons of "Unauthorized" or "Revoked Authorization."

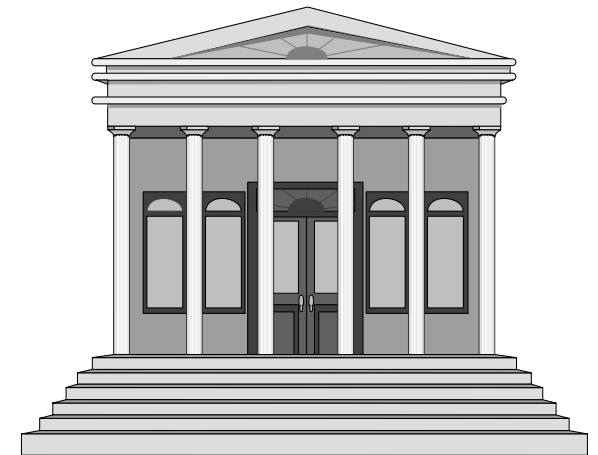
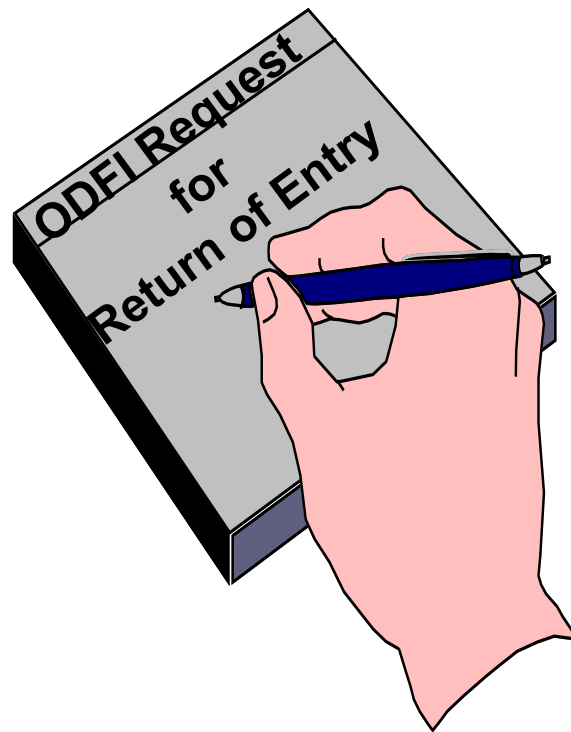
# Originator Request for Return

ODFI indemnifies the RDFI against any losses or liabilities which may result from returning the Entry



**ODFI**

Request should be made by the ODFI, not the Originator



**RDFI**

RDFI may, but is not obligated to, comply with ODFI request



## Fraud Protection - keep your account safe!

- As an originator, you probably also receive ACH debits and credits originated by other companies.
- Business account holders have just **24 hours** to notify the bank if an unauthorized (or otherwise improper) ACH transaction has posted to the business account.
- Old Point offers fraud protection services to protect you if an ACH debit is presented that is unauthorized.
  - **ACH Debit Filter/Block Service** - tell us which debits are allowed on your account, and we'll automatically return any that are not on the list. Once the service is in place, no additional work is required, unless you wish to add or remove allowable debits from the list.
  - Contact your account representative for more details on this simple fraud protection service for your business account.

**Two-thirds** of organizations **experienced** attempted or actual payments fraud in 2011

Organizations that did suffer a financial loss resulting from payments fraud in 2011, the **typical loss was \$19,200.**



## Questions/Comments

Contact OPNB's eServices Department at (757) 728-1250, or email [online@oldpoint.com](mailto:online@oldpoint.com).

