



AUTOMATED CLEARING HOUSE (ACH) ORIGATION QUICK REFERENCE GUIDE

This ACH Origination Quick Reference Guide provides an overview of originator responsibilities for ACH transactions. An ACH Originator is any entity or person that creates (originates) an ACH transaction. Receipt of this guide identifies you as an originator. This Quick Reference Guide is not intended to be a replacement or substitution for the National Automated Clearing House Association (“NACHA”) Rules and Guidelines (“Rules”). NACHA Rules are subject to change.

DEFINITIONS:

Originating Depository Financial Institution (“ODFI”): The Originator’s depository financial institution that forwards the ACH transaction into the national ACH network through an ACH Operator.

Receiving Depository Financial Institution (“RDFI”): The Receiver’s depository institution that receives the ACH transaction from the ACH Operators and credits or debits funds from their receivers’ accounts.

Receiver: A Receiver is the individual/company that you are going to debit or credit for payment of goods or services.

Originator: The Originator is the entity (you) that agrees to initiate ACH entries into the ACH payment system according to an arrangement with a Receiver (your customer).

Prenotifications (“prenotes”): optional zero-dollar ACH transactions that are sent ahead of a live transaction to permit the RDFI to verify the accuracy of the account information. If the Originator initiates a prenotification, it must wait (3) banking days prior to initiating the live dollar transaction.

Written Statement of Unauthorized Debit (“WSUD”): A written statement completed by the receiver due to an unauthorized debit to their consumer account. A debit is considered unauthorized if the receiver did not previously authorize the transaction, the debit Entry was initiated in an amount different than that authorized by the Receiver, the debit Entry was initiated for settlement earlier than authorized by the Receiver. The authorized signer must attest that the information is true and correct and that it was not initiated with fraudulent intent by the signer or any person acting in concert with the signer.

YOUR RESPONSIBILITIES AS AN ORIGINATOR:

1. Know the ACH Rules.

To ensure compliance with current regulations, all ACH Originators must obtain a copy of the NACHA Rules that are published annually. A copy of the Rules can be purchased or viewed by visiting <http://www.achrulesonline.org>. It is the responsibility of the Originator to stay current on any NACHA Rule changes. This Quick Reference Guide is intended to provide basic information on the ACH Rules and is not inclusive of the NACHA Rules book.

2. ACH Authorizations (Refer to Exhibit 3)

NACHA requires that a correct Standard Entry Code (SEC code) is used for every transaction to identify how it was originated and if it is a consumer or business transaction. (Exhibit 1 lists the most common types of SEC codes and their purpose. Regardless of the SEC code used, different rules apply for each one.

Consumer Authorizations

- Obtain proper authorizations from your customer that authorizes the ACH transaction. (Exhibit 3)
- Copies of authorizations must be provided prior to authorizing ACH transactions.
- Sensitive customer information must be stored in a secure environment.
- Retain the authorization for two years **after** it is revoked.
- iStream requests samples of authorizations prior to boarding and performs periodic audits on random authorizations.
- Provide a copy of the authorization to iStream, if requested, within 8 banking days of the request.

Non-Consumer Credit and Debit Entries Authorizations – Business-to-Business (“B2B”)

- Upon receipt of a RDFI’s written request for evidence of authorization, the ODFI must provide either 1) an accurate record evidencing the Receiver’s authorization, or 2) the contact information for the Originator that, at a minimum includes the originator’s name, phone number or email address for inquiries regarding authorizations.
- Authorizations for B2B are implied and are often included in the agreement between the originator and the receiver.
- iStream requests samples of authorizations prior to boarding and performs periodic audits on random authorizations.
- Authorizations must be provided by the originator within (10) banking days of receipt of the request.

3. Changing Date or Amount of Debits

- Regulations require that you notify your customers of any changes in date or amount debited under the following circumstances:
 - (7) calendar days’ notice for a change of date (consumer and business).
 - (10) calendar days’ notice for a change in amount (consumer only).

4. Notifications of Change

- Notifications of Change (“NOC”) A NOC is a non-dollar entry transmitted by the receiver’s financial institution to notify you that information contained within an entry is erroneous and/or has become outdated and **must** be changed.
- NACHA Rules require you to correct the information within 6 banking days of receiving the NOC or prior to the initiation of another ACH entry. If it is a NOC originated from a prenote, the timeframe is within 3 banking days.
- iStream will notify you of NOCs in the same manner as you are notified for return items.

NOC Codes:

Code	Erroneous information contained within:
C01	Account Number
C02	Routing/Transit Number
C03	Account Number AND Routing/Transit Number
C05	Transaction Code
C06	Account Number AND Transaction Code
C07	Account Number AND Routing/Transit Number AND Transaction Code

5. Company Name Identification and description:

- The originator is required under the Rules to ensure there is clear identification of the source of the ACH transaction and the purpose. Therefore, the Originator must populate the fields with a name and purpose of the transaction that the receiver will understand.

6. Return Rules (Exhibit 2)

Return Rules

- Most Returns must be processed by the receiving bank within (2) business days of settlement except for Unauthorized and Revoked that have 60 days from the settlement date.
- You may reinitiate a debit entry up to (2) times after the original posting if you receive a return entry of “NSF” (R01), or “Uncollected Funds” (R09).
- Closed Accounts (R02), No Account/Unable to Locate (R03) and Invalid Account Number (R04) cannot be resubmitted and are corrected by originating a new transaction.
- Revoked (R07), and Unauthorized returns (R05), (R10), (R29), and (R51) cannot be reinitiated even if the originator and receiver are able to rectify the issue. A new authorization is required if the receiver chooses to move forward with another transaction*
- A “stop payment” (R08) return may be reinitiated only if approved by the receiver and the receiver has notified their financial institution to release the stop payment.
- All other returns may be reinitiated if the Company Name, Company ID and Amount Fields are the same. Refer to Exhibit 2 if the receiver chooses to move forward with another transaction. This exhibit lists the return reason codes and resubmit rules (if applicable). The returns listed are the most common. For questions regarding any additional return reason codes, contact Sales Support.

Return Fee Entries

- You may collect fees for an entry that was returned for insufficient funds (R01) or uncollected funds (R09) only. You must provide notice to the receiver at the time the underlying entry is authorized. The notice must include the following, or substantially similar language:

“If your payment is returned unpaid, you authorize us to make a one-time electronic fund transfer from your account to collect a fee of [\$];” **OR**

“If your payment is returned unpaid, you authorize us to make a one-time electronic fund transfer from your account to collect a fee. The fee will be determined [by/as follows]:
[].”

- A return fee entry must use the SEC Code “PPD”.
- You must submit Return Fee Entries as a separate batch that contains the words “RETURN FEE” in the Company Entry Description field of the Company/Batch Header Record.

Return Levels

- The return percentage for unauthorized debit entries (Return Reason Codes R05, R07, R10, R29, and R51) cannot exceed .50% of the total debit entries initiated.
- The return percentage for administrative returns (Return Reasons R02, R03, and R04) cannot exceed 3% of the total entries originated.
- The total return percentage cannot exceed 15% of the total entries originated over a 60-day period.
- Failure to remain within these return percentage thresholds may result in additional fees from iStream, or other disciplinary actions up to and including termination of the relationship.

Reinitiated Returns (Consumer)

- “Reinitiating of Returned Debit Entries” defines returns that may be resubmitted.
- The rule requires that a reinitiated Entry must contain identical content in the Company Name,

Company ID and Amount fields.

- Modification to other fields can only be made to correct an error or facilitate processing of an Entry such as an item returned for invalid account number.
- The rule prohibits attempts to evade the limitation on the reinitiating of returned Entries by varying the content of the Entry.
- iStream writes the required description "RETRY PYMT" in the Company Entry Description field to identify Entries that are permissible resubmissions of Returned Entries.
- The RDFI may return a violation of the Reinitiation Rule with Return Code R10 and a written statement of unauthorized withdrawal.
- Entries already returned twice for insufficient or uncollected funds may not be reinitiated.
- Other return reason codes may be resubmitted after corrective action is taken to remedy the reason except for the following:
 - Returned for revoked.
 - Company name, company identification, or amount changes.
- If the above scenarios occur, a new authorization is required to resume ACH origination for your customer.
- Entries must be reinitiated within 180 days of the settlement date of the original transaction.
- Re-originating ineligible returns is a violation of ACH rules and may result in adverse action.

7. Reversals (for events such as duplicate transaction or wrong amount)

- Immediately contact iStream Customer Care at 888-892-1212, extension 1, for instructions.

8. Office of Foreign Assets ("OFAC")

- OFAC lists countries, businesses, groups, and individuals that US businesses/persons are prohibited from processing transactions for. Your origination agreement includes a statement acknowledging that you do not initiate ACH entries that violate the laws of the United States. You are held under obligation to originate only lawful ACH transactions under agreement with your ODFI. Receivers can be checked against the OFAC list at www.treas.gov/offices/enforcement/OFAC.

9. Transaction Limits

- iStream will establish processing limits for each ACH originator per the approved limits at the time of account boarding. Files that are over the limit may not be processed unless there is prior authorization. ACH Limits are monitored on an ongoing basis and may be periodically adjusted based on past activity.

10. Security

- Originators are required by the Rules to protect non-public information regardless of the form it takes (i.e. paper authorizations, electronic ACH files). Each Originator must establish, implement, and update, as appropriate, policies, procedures, and systems with respect to the initiation, processing, and storage of ACH entries that are designed to:
 - Protect the confidentiality and integrity of protected information until its destruction
 - Protect against anticipated threats or hazards to the security or integrity of protected information until its destruction; and
 - Protect against unauthorized use of protected information that could result in substantial harm
- Originators are required to have controls on system access to initiate, process, and store ACH entries. Controls may include but not limited to physical security (locked rooms and cabinets to store paper forms, a stand-alone computer used to process transactions), screen savers, strong

- passwords, encryption software.
- Protected information is defined as the non-public personal information, including financial information, or contained within, an entry and any related Addenda Record. This not only covers financial information, but also includes sensitive non -financial information (such as health information) that may be incorporated into the entry or any related Addenda Record.
- iSFS may audit Originators to verify that data security policies and procedures are in place and that they meet NACHA standards.

Exhibit 1

Standard Entry Class (“SEC”) Codes and Authorization Requirements:

APPROVED SEC Code	Application Title	Application Description	Type of Account	Debit or Credit	Authorization Requirements
<input type="checkbox"/> PPD	Prearranged Payment and Deposit Entry	Debit entry for direct payment of bills such as utilities, loans, insurance, etc. Credit Entry for direct deposit of payroll, pension, etc.	Consumer Accounts Only	Debit or Credit	For Debits, written authorization is required. For Credits, authorizations may be written or verbal. Sample authorization is shown in exhibit 3. Refer to PPD – Prearranged Payment and Deposit Entry
<input type="checkbox"/> CCD	Corporate Credit or Debit	Transfer of funds between business accounts	Business Accounts Only	Debit or Credit	Authorization may be written, or as a part of a contract or agreement between parties. Sample authorization is shown in exhibit 3. Refer to the CCD – Corporate Credit or Debit
<input type="checkbox"/> TEL	Telephone Authorized	Single or recurring entry submitted pursuant to an oral authorization obtained solely via the telephone.	Consumer Accounts Only	Debit Only	Oral Authorization – Refer to Telephone-Initiated Transactions
<input type="checkbox"/> WEB-Debit	Internet Authorized	Entry submitted pursuant to an authorization obtained solely via the Internet or wireless network	Business to Consumer Accounts Only	Debit Only	Internet Authorization – Refer to WEB – Internet Initiated Entry

Exhibit 2

Return Reason Codes and Re-initiation Rules

Return Reason Codes	Resubmit Rules
R01- Insufficient Funds R09-Uncollected Funds	Up to three times including original presentment. For CCD/CTX, permission to resubmit must be approved by the receiving institution if greater than 2 banking days from the settlement date of the original entry.
R08-Stop Payment	Re-initiation has been authorized by the Receiver and Receiver has notified their financial institution to release the stop payment.
R02-Account Closed R03-No account/unable to locate R04-Invalid Account Number	Originator corrects permissible information and originates as a new transaction. A new authorization is required. Company Name, Company ID and Amount Fields.
R07-Authorization Revoked	Originator may not resubmit. Subsequent transactions established for recurring payments must be deleted. The receiver must sign a new authorization to restart any subsequent transactions.
R05-Unauthorized Debit to Consumer Account using CCD SEC code R10-Customer advised unauthorized, improper, ineligible, or part of an incomplete transaction R29-Corporate customer Advises Not Authorized R51-Item related to RCK Entry and is ineligible or RCK Entry is improper	Originator may not resubmit. Subsequent transactions established for recurring payments must be deleted. The receiver must sign a new authorization to restart any subsequent transactions.
All other return reason codes including CCD unauthorized returns	Permissible if the Company Name, Company ID and Amount Fields do not change. Most returns must be returned within two business days.
Contacts	Contact Sales Support at 888-892-1212 if you use the iStream iReturn System. If you are not using the iStream iReturn System, contact your vendor for assistance.

Exhibit 3

SAMPLE ACH AUTHORIZATION FORM

The following ACH authorization form has language approved under NACHA Rules and is recommended for your use and customization.

ACH Authorization Form

I, **(customer name)** hereby authorize **(merchant name)** to ACH debit the account listed below for payment related to **(goods/services to be provided)**.

Bank Name _____

Bank ABA Routing Number _____

Bank Account Type (please circle one): Checking Business Checking Savings Business Savings

Bank Account Number _____

I understand the terms of the payment schedule to be as follows and that if applicable I will receive a notice only if the payment amount is more than the amount listed below or outside of the designated range listed below.

Recurring Payments

Recurring Payment Start Date _____

Recurring Payment Frequency (circle one): Weekly/Monthly/Quarterly/Annually to occur on _____

Recurring Payment Amount _____

Designated Allowable Recurring Payment Range \$_____ to \$_____

One Time Payments

One Time Payment for Non-Refundable Deposit: _____ on date _____

One Time Payment for (other, please specify) _____, in the amount of _____ on date _____

This payment authorization is valid and will remain in effect unless I, **(customer name)** notify **(merchant name)** of its cancellation within **(time frame for notification)** by ☐ phone and # _____, ☐ in writing to (address), or ☐ other _____ which will allow **(merchant name)** a reasonable opportunity to act upon such cancellation prior to the next scheduled payment.

I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S law. I agree to notify **(merchant name)** of any change to the payment account designated above from which the funds are to be debited within **(time frame for notification)** from the effective date of such change. I understand that failure to do so may delay receipt of funds to **(merchant name)**. "If your payment is returned unpaid, you authorize us to make a one-time electronic fund transfer from your account to collect a fee of [\$];" **OR** "If your payment is returned unpaid, you authorize us to make a one-time electronic fund transfer from your account to collect a fee. The fee will be determined [by/as follows]: []." fees of XX).

Signature _____ Date _____

PLEASE PROVIDE A VOIDED CHECK