



Electronic Payments Core of Knowledge

---

# PARTICIPANT GUIDE

## **The Final Countdown: Payment Exceptions Part 2 Checks**

# Welcome to:

## *The Final Countdown: Payment Exceptions Part 2 Checks*

### Program Description

Learn how to handle check and ACH transactions that don't post the first time around and work through exception situations as a group to determine how best to resolve them.

AAP/APRP/NCP Credits: 1.2

### Objectives

- Check Returns
- Check Adjustments
- Check Fraud

### Ground Rules

Please keep the following ground rules in mind to help create a more effective learning experience for everyone. We will discuss additional participation instructions during the online session.

1. Log on to class at least 10 minutes before the scheduled start.
2. Turn off email and phones and clear other distractions away from your training area.
3. Participate and prepare to be called on by name. The online learning environment lends itself to interaction. Participation will keep you engaged and move the class along.
4. Raise your hand if you have an immediate question or comment. Asking questions helps other participants clarify or reinforce concepts.
5. Be patient in waiting for a response to your chat message.

### Technical Assistance

Your course invitation email contains step-by-step instructions for logging into this event.

If you are having technical difficulty, please call 800.500.0100



**Check Returns**

**epcor Payments University**

©2025, EPCOR ®. All Rights Reserved.

---



---



---



---

**Presentments Allowed**

No enforcement mechanism in place to enforce Rules

Return code of "T" may be used for checks exceeding the number of times a check may clear

Applicable Rules	Presentments/Representments	Total Presentments Allowed
Federal Reserve Bank – Operating Circular 3	Once as the original presentment and once as a re-presentment.	2 (Two)
Private Sector - ECCHO Rules	Once as the original presentment and twice as a re-presentment.	3 (Three)

**epcor Payments University**

©2025, EPCOR ®. All Rights Reserved.

---



---



---



---

### Check Return Codes – X9.100-188 Standard

#### Customer Returns

Transaction attempts to post to account holder account

Examples: Return is due to NSF, Stop Payment or Account Closed

#### Administrative Returns

Use for items that fail IQA

Handled internally rather than charged back to customer

Generally exchanged by agreement

May also be handled through adjustment process

Example: Ineligible Item




---



---



---



---

### Check Return Reason Codes

Code	Customer Reason	Administrative Reason
I	Endorsement Missing	Image Missing
Q	Unauthorized	Ineligible
3	Warranty Breach	Warranty Breach




---



---



---



---

### Check Return Reason Codes

Commonly Used

Code	Customer Reason
A	NSF (Not Sufficient Funds)
C	Stop Payment
D	Closed Account
G	Stale Dated
H	Post Dated




---



---



---



---

### Check Return Reason Codes

ONLY Used for Customer Reason

Code	Customer Reason	Comments
L	Signature(s) Irregular, Suspected Forgery	Used if the signature(s) do not conform to FI's signature cards or corporate resolution; or if the item is a suspected forgery and customer affidavit not available.
Z	Forgery – Affidavit shall be available upon request	Used when an item is believed to have a forged or invalid signature(s). Some states require an affidavit be available. If no affidavit is available, the proper code to use is 'L'.
S	Refer to Maker	Only used when no other code truly applies to a situation. Some states have enacted privacy laws that might dictate the use of this code; if so, only use to meet that legal requirement.
N	Altered/Fictitious Item/Suspected Counterfeit/Counterfeit	May be used for any of the reasons listed.




---



---



---



---

### Check Return Reason Codes

Used for Customer or Administrative Reason

Code	Customer or Administrative Reason	Comments
T	Item Cannot be Re-presented	Exceeds number of allowed times the item can be presented
Y	Duplicate Presentment	Used when a party in the collection process is being asked to pay the item more than once.




---



---



---



---




---



---



---



---

### Knowledge Check

Your account holder comes in and wants to stop payment on check 565 for \$142.50

The check is presented to your institution on Wednesday

The check appears on your stop payment report Thursday morning and your institution decides to return the check

What type of check return would this be?



---

---

---

---

### Knowledge Check

Small Credit Union receives their image cash letter from the Federal Reserve Bank

The file has five checks that had the data record sent but not the corresponding images

The institution needs to return these checks to the Depository Bank to notify them that the images were missing for these items



---

---

---

---

### Knowledge Check

An account holder calls your institution to report that check 907 for \$234.50 posted to their account last night

This same check posted to their account two weeks ago

Since this is a duplicate posting, the financial institution must return the check that posted last night



---

---

---

---

## Check Adjustments



---

---

---

---

### Common FRB Adjustment Investigation Types

Investigation Type Description	Timeframe to Receive Same Day Entry	Required Documentation
Encoding Error (ENC) - Item encoded for amount different than legal (written) amount or differs from the stated cash letter/ return letter amount.	Within 6 calendar months of cash letter or return letter date.	None
Entry in Error (ERR) (Claim of Damage Due to Underencoding Adjustment) - Request for credit for an underencoded item charged and for which you are unable to collect the funds.	Within 20 business days. After 20 business days but within 1 calendar year, an entry will be made after notification to the offsetting institution.	Claim of Damage Due to Underencoding Adjustment form example (PDF) on <a href="http://frbervices.org">frbervices.org</a> website.




---



---



---



---

### Common FRB Adjustment Investigation Types

Investigation Type Description	Timeframe to Receive Same Day Entry	Required Documentation
Late Return Claim (LC) - Depository institution requests a credit entry based on allegation that an item (\$100 or greater), was returned to them late. This type may only be used once for each return.	Within 2 calendar months of return letter date.	A legible copy of the completed Bank's Claim of Late Return form (PDF) and a legible photocopy of the front and back of the item.
Late Return Disclaimer (LR) – Used by the Drawee bank to request a credit entry (\$100 or greater) to dispute a Late Return Claim (LC) debit entry.	Within 20 business days of the Federal Reserve Bank's Late Return Claim (LC) debit entry date.	A legible copy of the completed Paying Bank's Response to a Claim of Late Return Form (PDF).




---



---



---



---

### FRB Adjustment: PAID

PAID – Duplicate item posted to account holder's account

Bank certifies it received a duplicate of the same item from FRB

Receiver may choose which item to report as duplicate (1st or 2nd presentment)

#### Timing

Within 6 calendar months of cash letter/return letter date – same day entry

**Required Documents:** Attachments for a single paid item are not required. If reporting multiple items (6 or more items from the same bundle) a listing of the items involved is required.



---

---

---

---

### Unauthorized Remotely Created Check (URCC)

Used by the Paying Bank to request a credit entry in response to their allegation, a remotely created check was not authorized in the amount stated on the check to the payee indicated on the check and does not bear a signature applied by the person on whose account the check is drawn.

#### Timing

Within 90 calendar days of the cash letter date of the original presentment of the item in disputed

Provide entry within five business days

**Required Documents:** A copy of the customer's written statement asserting under oath that the item in question was unauthorized, and a legible photocopy of the front and back of the item in dispute.



---

---

---

---



---

---

---

---

### Knowledge Check

An account holder calls your financial institution on July 5th, 2023 when they review their most current statement

They claim that check 566 for \$95.25 posted twice to their account in June

Once on June 6, 2023, and then again on June 23, 2023

Since it is past the point of return, what adjustment type could be used?



---

---

---

---

### Knowledge Check

An account holder comes into your institution on July 7th, 2023, claiming a check cleared their account on June 12th, 2023

It appears the check amount was altered from \$100 to \$1,000

Your institution returns the check immediately on July 7th

What adjustment type could be utilized by the Depository Bank when they receive this return item?



---

---

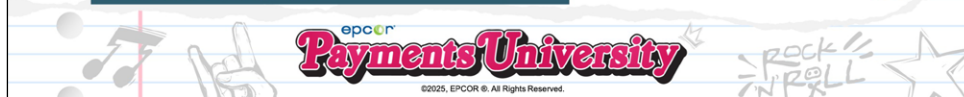
---

---

### Knowledge Check

An account holder notifies your institution that they did not authorize this draft payment

What adjustment investigation type could help with this situation?



---

---

---

---

### Duplicate Check

Helen calls Money Bank on June 12 saying the statement she received in the mail today shows Check #652 for \$86.60 cleared her account on May 18 and then again on May 25.



How would your financial institution handle this situation?



---

---

---

---

### Duplicate Check

- 1. Would you return or adjust this transaction?
- 2. What is your timeframe to return or adjust?
- 3. What return reason code or adjustment type code would you use?
- 4. Is any documentation required? If so, what?



---

---

---

---

### Forgery

Jenny in the Operations Department receives a returned check for \$131.85 today stamped "Forgery." The check was deposited on October 24 and today's date is October 29.

What should the financial institution do in this situation?



©2025, EPCOR®. All Rights Reserved.

---

---

---

---

### Forgery

- 1. Would you return or adjust this transaction?
- 2. What is your timeframe to return or adjust?
- 3. What return reason code or adjustment type code would you use?
- 4. Is any documentation required? If so, what?



©2025, EPCOR®. All Rights Reserved.

---

---

---

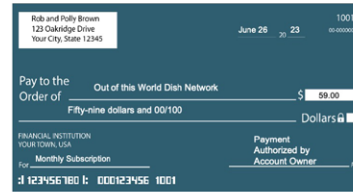
---

## Unauthorized RCC

Mr. Brown calls your institution on July 7th after reviewing his current statement

A debit posted to his account on June 26th for \$59

He does not recognize the name or dollar amount of the item and claims this is an unauthorized transaction



What can your financial institution do?




---



---



---



---

## Remotely Created Check

- 1. Would you return or adjust this transaction?
- 2. What is your timeframe to return or adjust?
- 3. What return reason code or adjustment type code would you use?
- 4. Is any documentation required? If so, what?




---



---



---



---



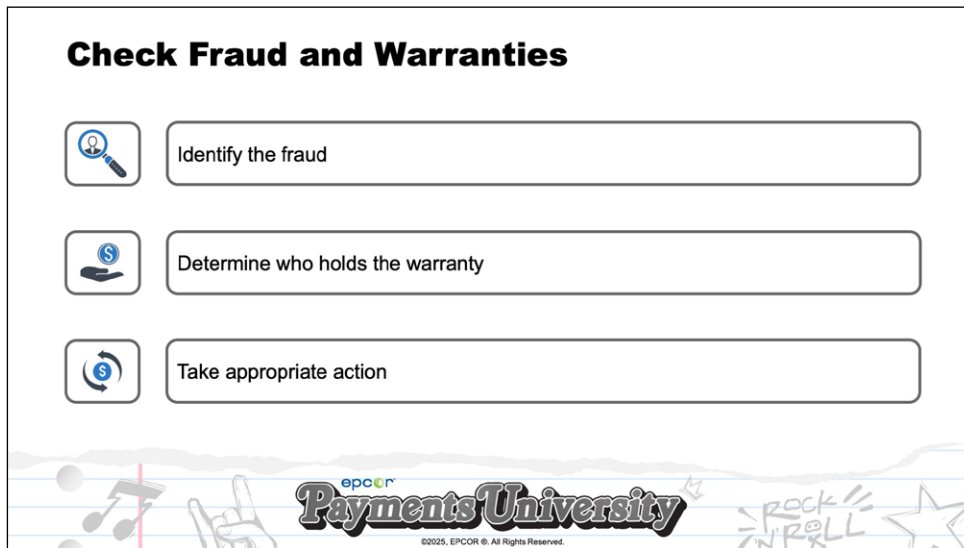
A slide with a lined paper background. In the center, a rounded rectangle contains the text "Check Fraud" in a large, bold, black font. At the bottom, the "epcor Payments University" logo is displayed in a stylized, bubbly font. To the right of the logo is a hand-drawn graphic that says "ROCK ON! ROLL" with stars and musical notes. A vertical red line is on the left side of the slide.

---

---

---

---



A slide with a lined paper background. The title "Check Fraud and Warranties" is at the top. Below it are three steps, each with an icon in a square box and a text box to its right:

- Icon: Magnifying glass over a dollar sign. Text: "Identify the fraud"
- Icon: Hand holding a dollar sign. Text: "Determine who holds the warranty"
- Icon: Dollar sign with a circular arrow. Text: "Take appropriate action"

At the bottom, the "epcor Payments University" logo is displayed in a stylized, bubbly font. To the right of the logo is a hand-drawn graphic that says "ROCK ON! ROLL" with stars and musical notes. A vertical red line is on the left side of the slide.

---

---

---

---

### Check Alteration (Check Washing)



Check is stolen or bad actor obtains the check



Chemicals used to remove written parts of a check



Dollar amount or payee changed



Fraudster opens new account & attempts to deposit or cash the check



---

---

---

---

### Counterfeit Checks (Check Cooking)



Created and issued by unauthorized entity



Printed on a different check stock than Drawer uses



Paired with false ID



Drawn on valid accounts

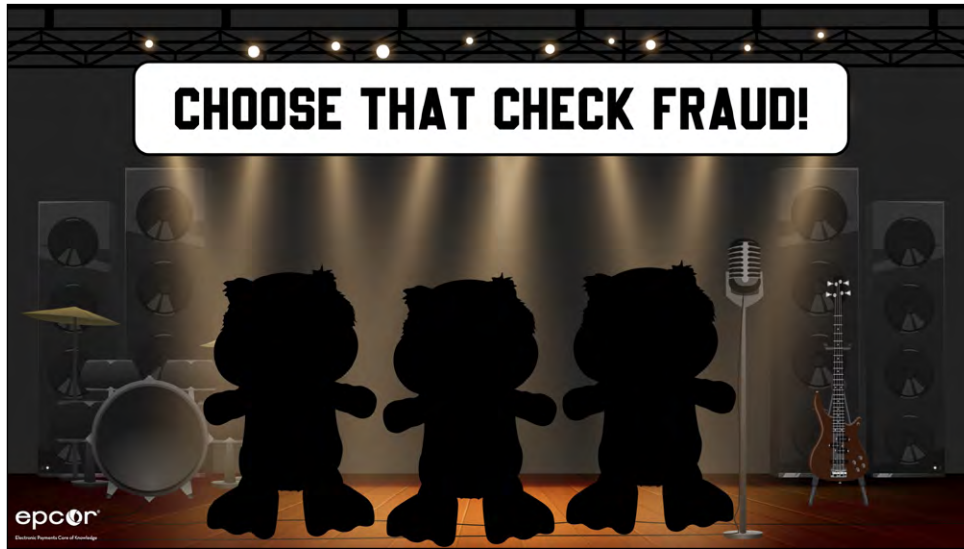


---

---

---

---




---


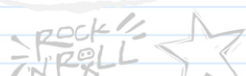
---

---

---

**Standard Check for Bank of Bologna**

Account Holder 123 First Ave Anytown USA 55555	_____	<b>1004</b> 88-1231119
	Date	
PAY to the order of _____	\$ _____	
	_____	Dollars
Bank of Bologna Address City State Phone/Website		
Memo _____		
⑆ 1 1 9 0 1 2 3 4 ⑆ ⑆ 1 2 3 4 5 7 8 9 ⑆ 1 0 0 4 ⑆		

 **epcor Payments University**   
©2025, EPCOR®. All Rights Reserved.

---

---

---

---

## Barney's New Account

Barney opened an account three weeks ago. You remember seeing him, and only remember his name, because he was in such a rush to leave. Now, he's back in the financial institution wanting to deposit a check. You hear him tell the teller that he is in a hurry and to deposit the check into his new account. He explains he doesn't need a receipt and leaves the financial institution abruptly.




---



---



---



---

## Choose that Check Fraud!

Millie Bandera 123 First Ave Anytown USA 55555	2/5/2025 Date	1223 88-1231119
PAY to the order of <u>Barney Barren</u> \$ <u>99.99</u>		
<u>Millie Bandera and 99/100</u> Dollars		
Your Paying Bank Name Address City State Phone/Website		
Memo <u>Millie Bandera</u>		
⑆ ⑆ ⑆ 1 9 0 1 2 3 4 ⑆ ⑆ ⑆ 1 2 3 4 5 7 8 9 ⑆ ⑆ 1 0 0 4 ⑆ ⑆		

What kind of fraudulent check do you think Barney is trying to pass across the teller line?




---



---



---



---

### Choose that Check Fraud!

This looks like an altered (washed) check. There is significant smudging behind the Payee name and it doesn't look like any of the handwriting is the same.

Barney Barren

The teller deposits the check into Barney's new account. You go and look at the item after Barney leaves the branch and you explain to the teller that the item looks washed (altered) and different handwriting was written in the Payee name. Who holds the warranty on that check?



---

---

---

---

### Choose that Check Fraud!

The warranty is with \_\_\_\_\_ because \_\_\_\_\_



---

---

---

---

### Sheila's Large Dollar Check

Sheila has had an account with your institution for over a year. She hasn't had any activity on the account since depositing the minimum balance requirement at account opening (\$100).

She comes in today wanting to deposit a large dollar check. She doesn't appear rushed and politely chats with the teller.




---



---

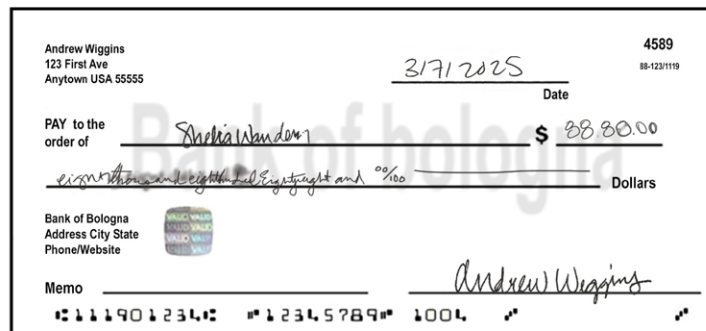


---



---

### Choose that Check Fraud!




---



---



---



---



### Cory's In a Hurry

● Cory opened an account two weeks ago at Bank of Bologna. He opened the account with \$300 in cash but has not been in your institution nor transacted any business on the account since. He comes through Bank of Bologna's drive-up first thing this morning to cash a check drawn off another account at Bank of Bologna. He explains that he is already late for work and if the teller could hurry, that would be great. The teller verifies that the account the check is drawn on has sufficient funds and gives Cory the money so he can be on his way.




---



---

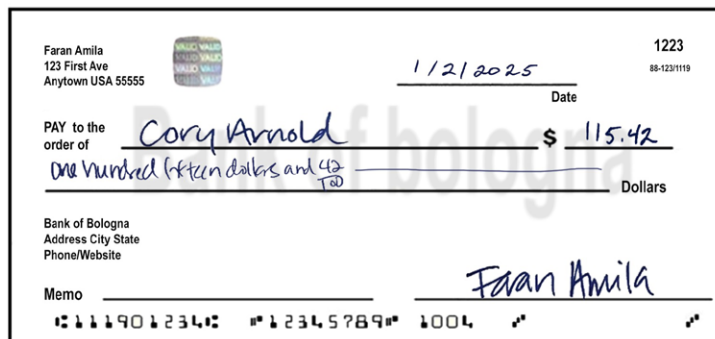


---



---

### Choose That Check Fraud!




---



---



---



---

### Choose That Check Fraud!

This looks like a counterfeit (cooked) check. If you look back at the check Bank of Bologna uses, you'll notice that the security seal is in the wrong place.



Based on Faran's statement that she didn't write this check. Which entity makes the warranty here since the Depository Bank and Paying Bank were the same entity (Bank of Bologna)?



---

---

---

---

### Choose that Check Fraud!

The warranty is with \_\_\_\_\_ because \_\_\_\_\_



---

---

---

---

### Cory Again

● Faran calls back later in the day upset that while looking at her Money Market account, she also noticed another check that Cory cashed yesterday that she did not write.

After some research, it appears that Cory went to a different branch of Bank of Bologna yesterday afternoon to cash another check drawn on one of Faran's accounts.



---

---

---

---

### Choose that Check Fraud!

Faran Amila 123 First Ave Anytown USA 55555	1/2/2025 Date	1223 88-1231119
PAY to the order of <u>Cory Arnold</u>	\$ <u>115.42</u>	
<u>One hundred fifteen dollars and 42/100</u>	Dollars	
Bank of Bologna Address City State Phone/Website		
Memo	<u>Faran Amila</u>	
⑆ 1 1 9 0 1 2 3 4 ⑆ ⑆ 1 2 3 4 5 7 8 9 ⑆ 1 0 0 4 ⑆		



---

---

---

---

### Choose that Check Fraud!

This looks like it could be a counterfeit (cooked) check. The check stock is a different color than Faran's normal stock example we talked about earlier.



Which entity holds the warranty for this counterfeit check?



---

---

---

---

### Choose that Check Fraud!

The warranty is with \_\_\_\_\_ because \_\_\_\_\_



---

---

---

---



### Choose that Check Fraud!

This looks like it could be a counterfeit (cooked) check. While the date, signature and payee name look legitimate, it appears the amount was digitally generated.

Ten Thousand and 00/100  
\$ 10,000

The teller went ahead and cashed the check but the check is returned two days later as a counterfeit. Who holds the warranty on that check?



---

---

---

---

### Choose that Check Fraud!

The warranty is with \_\_\_\_\_ because \_\_\_\_\_



---

---

---

---

## Check Times Two



Aubrey works for Avery Services and balances their checking account daily. She notices that check 10625 posted last night but also posted last week. After research, Aubrey determines the check was issued to Sharon Silvers for payroll on 2/20/25. Look at the two checks on the next slide and determine what the second check should be returned as.




---



---



---



---

## Choose that Check Fraud!



**First Presentation**

**Second Presentation**




---



---



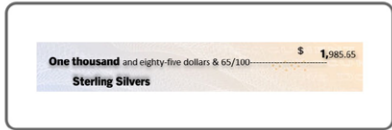
---



---

### Choose that Check Fraud!

It appears the second check was washed and altered. The font added is blurred and a different font type. Also, the written amount does not correctly reflect what shows in the courtesy amount.



Aubrey calls her financial institution to return the second presentment today as altered. Who holds the warranty on that check?



---

---

---

---

### Choose that Check Fraud!

The warranty is with \_\_\_\_\_ because \_\_\_\_\_



---

---

---

---

### Warranty Quick Reference

Depository Institution	Paying Institution
Check not altered	Drawer signature not forged
Endorsement not forged	Check is not counterfeit
Check encoded correctly	
MICR line captured correctly (images)	
Named Payee benefitted from payment	
No knowledge drawer signature is forged	



---

---

---

---

**Homework**

Extra Credit

epcor®  
**Payments University**

©2025, EPCOR®. All Rights Reserved.

ROCK & ROLL

---

---

---

---

**1. What are the two types of check returns?**

1. \_\_\_\_\_

2. \_\_\_\_\_

epcor®  
**Payments University**

©2025, EPCOR®. All Rights Reserved.

ROCK & ROLL

---

---

---

---

## 2. Stop Payment vs Revoked Authorization

Amir calls his institution that he revoked authorization for a \$69.99 debit from New Wave Cellular a month ago. He wants this transaction returned and all future debits stopped. What actions would your institution take?

---

---

---

---



---

---

---

---

## 3. What Does Check Return Code “I” Mean If A:

Customer Return:

Administrative Return:



---

---

---

---

#### 4. What Return Code is Appropriate?

An RCK entry and the related source document both post to an account at your institution

Your institution is within 60 days to return the ACH entry

What would be the appropriate return reason code for the ACH entry?



---

---

---

---

#### 5. What Is the Timeframe for a PAID Adjustment?

A. 2 calendar months

B. 6 calendar months

C. 12 calendar months



---

---

---

---

### True or False?

The R10 (unauthorized) ACH return reason code may be used for CCD and CTX entries?



---

---

---

---

### 1. Check Return Answers

1. Customer Returns

2. Administrative Returns

### 2. Stop Payment Answer

Have AMIR complete a WSUD and return the \$69.99 entry as R07

Place a stop payment on the account to prevent any future entries posting

Return any future entries as R08 within 2 banking days



---

---

---

---

**3. Check Return Code "I" Answer**

Customer Return: Endorsement Missing

Administrative Return: Image Missing

**4. Appropriate Return Code Answer**

R53

**5. Paid Adjustment Timeframe Answer**

6 Calendar Months

**6. True/False Answer**

False



---

---

---

---

# Thank You for Attending!

EPCOR is your best resource for:

## Expertise—

Payments professionals are just a phone call away to help you resolve issues and understand the complex rules and regulations regarding all types of electronic payments.

## Diverse Programs—

More than just the *ACH Rules*, you get a variety of programs on fraud, risk, audits and more to protect your organization against loss and penalty.

## Keeping Pace with the Evolving Payment Landscape—

You have a voice in industry issues through EPCOR and you stay connected with industry initiatives that influence policy.

**Visit [epcor.org](https://epcor.org) for a complete list of classroom and online learning events.**

# CERTIFICATE OF COMPLETION

This certificate is awarded to:

on

In completion of:

## **The Final Countdown: Payment Exceptions Part 2 Checks**

This course is worth 1.2 AAP/APRP/NCP  
continuing education credits.



James Carrick  
Vice President, Education, EPCOR

