



Electronic Payments Core of Knowledge

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# PARTICIPANT GUIDE

## **The Final Countdown: Payment Exceptions Part 1 ACH**

# Welcome to:

## *The Final Countdown: Payment Exceptions Part 1 ACH*

### Program Description

You spent day one learning about payment systems basics, including rules, regulations and risk. Now it's time to roll up your sleeves and tackle check and ACH exception items. 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 Credits: 1.2

### Objectives

- ACH 2-Day Exception Handling
- ACH Extended Return Exception Handling

### 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

**ACH 2-Day Exception Handling**

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**ACH Exception Handling**

Upon receipt of an ACH entry, the RDFI may:

- Post the entry
- Manually post the entry and send a Notification of Change (NOC)
- Return the entry (if there is a valid return code)

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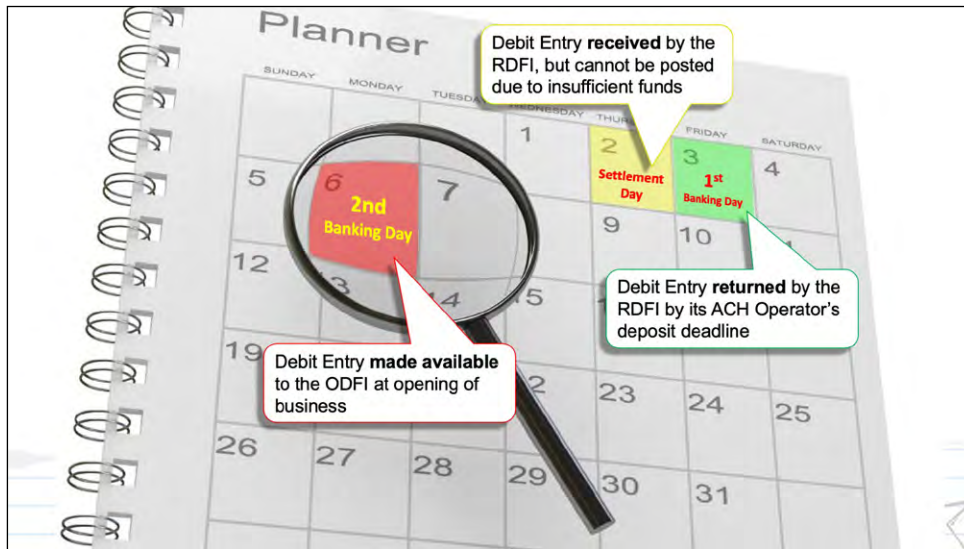
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### Most Common 2 Banking Day Return Codes

Account Rejects

Return Reason Code	Description	SEC Code
R02	Account Closed	All
R03	No Account/Unable to Locate Account	All
R04	Invalid Account Number	All
R20	Non-Transaction Account	All




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### Most Common 2 Banking Day Return Codes

Funds Unavailable

Return Reason Code	Description	SEC Code
R01	Insufficient Funds	All
R09	Uncollected Funds	All
R16	Account Frozen/Entry Returned per OFAC Instruction	All




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### Most Common 2 Banking Day Return Codes

Stop Payments

Return Reason Code	Description	SEC Code
R08	Payment Stopped	All Debits




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## Non-Consumer Stop Payments

RDFI Obligation to Stop Payment of Entries to Non-Consumer Accounts

Subsection 3.7.2

**“An RDFI must honor a stop payment order regarding any debit Entry initiated or to be initiated to a Non-Consumer Account that is provided by a Receiver at such time and in such manner as to allow the RDFI a reasonable opportunity to act upon the stop payment order prior to acting on the debit Entry. The RDFI must comply with a verbal stop payment order only for a period of fourteen days unless the order is confirmed in writing within that fourteen-day period.”**



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## Non-Consumer Stop Payments

Effective Period of Stop Payment Orders

Subsection 3.7.2.1

**“At a minimum, a written stop payment order regarding any debit Entry initiated or to be initiated to a Non-Consumer Account will remain in effect until the earliest of:**

- A The withdrawal of the stop payment order by the Receiver;
- B The return of the debit Entry; or,
- C Six months from the date of the stop payment order

**An RDFI may extend the effective period of a stop payment order beyond the minimum period described above.”**



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## Consumer Stop Payments

Single Entries

Section 3.7.1.2

“An RDFI must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RDFI at such time and in such manner as to allow the RDFI a reasonable opportunity to act upon the order prior to acting on (a) an ARC, BOC, POP, or RCK Entry; (b) a Single Entry IAT, PPD, TEL, or WEB Entry to a Consumer Account; or (c) a Subsequent Entry.”



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## Consumer Stop Payments

Recurring Entries

Section 3.7.1.1

“An RDFI must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RDFI at least three Banking Days before the scheduled date of any Recurring debit Entry to a Consumer Account. An RDFI may in its discretion honor such a stop payment order received within such three Banking Day period.”



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## Consumer Stop Payments

Subsection 3.7.1.3

Written Confirmation of Verbal Request

Verbal stop payment order would cease to be binding after 14 days

Written Confirmation of Revoked Authorization

For an order to stop all future payments, an RDFI may require a Receiver to confirm in writing that the Receiver has revoked the authorization given to the Originator



## Consumer Stop Payment

Effective Period of Stop Payment Orders

Subsection 3.7.1.4

A stop payment order will remain in effect until the earlier of:

A The withdrawal of the stop payment order by the Receiver;

or

B The return of the debit Entry, or, where a stop payment order applies to more than one debit entry relating to a specific authorization involving a specific Originator, the return of all such debit Entries



## Non-Consumer Returns

CCD & CTX Entries

Return Reason Code	Description	Return Deadline
R29	Corporate Customer Advises Not Authorized	2 banking days
R31	Permissible Return Entry	Undefined



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### Direct Deposit

You notice that a direct deposit came into Cindy's account for \$3,150, which is an unusually large deposit for her. After doing further research, you find the entry came in with Cindy's account number on it, but the Receiver's name in the entry is Bruce Watkins. Your institution decides to return the entry.



What return reason code would be appropriate?



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### Money Market Account

XYZ Bank receives an ACH debit to Omar's money market account for \$500

XYZ Bank does not consider their money market accounts as transaction accounts

The bank decides to return the entry

What return reason code would be appropriate?



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### Busy Bees Bakery

Busy Bees Bakery checks their account activity via online banking daily. They notify XYZ Credit Union when they come in to make their daily deposit that a CCD debit posted to their account last night from Honey Farms Inc. for \$592 that they did not authorize. The teller notifies Chaz in Operations that the entry must be returned today.



What return reason code would be appropriate?



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### Invalid Account Number

Mandy in the bookkeeping department reviews the ACH exception report each morning. Today she has an \$87 debit item on the report for Charles Walker with an account number of 1234560559. Checking account numbers are only six digits at her institution. She finds that Charles has a checking account; however, his account number is 123456.



What two actions could Mandy make with this transaction?



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## Stop Payment

John calls your institution stating that he noticed through online banking that he has an ACH debit “pending” for \$55 from Sports Unlimited. He explains that he revoked his authorization with this company over a month ago and wants to stop payment on this transaction as well as any other transactions attempting to post in the future. Your institution policy allows the stop payment to be placed and the entry returned.



What return reason code should be utilized?



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## Stop Payment – Question 2

What documentation “could” be required of John in this situation?



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# ACH Extended Return Exception Handling

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## Extended Returns 60 Calendar Days

- Transaction has posted to an account and Receiver is disputing
- Written Statement of Unauthorized Debit (WSUD) is required
- Must complete form and have account holder signature
- Must return within 60 calendar days from settlement

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### Written Statements (Section 3.12)

RDFI's must accept WSUD form meeting the Rule requirements with respect to:

- 1 Unauthorized debit to consumer account
- 2 Unauthorized IAT debit to any type of Receiver
- 3 Debit entry to consumer account where Receiver's revoked authorization
- 4 ARC, BOC, or POP debit that was not initiated in accordance with authorization terms
- 5 An improperly originated RCK entry



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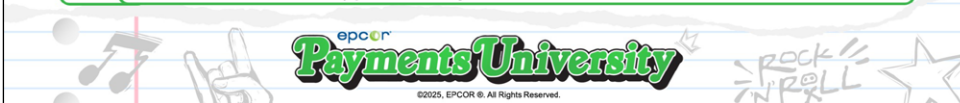
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### Section 3.12.1

A debit is not authorized by Receiver if:

- 1 Proper authorization requirements not met
- 2 Receiver's signature on source document for an ARC or BOC was not valid, authorized or authentic
- 3 Receiver's signature on written authorization was not valid, authorized or authentic for POP
- 4 Receiver revoked valid authorization directly with the Originator (in accordance with authorization terms) prior to entry initiation



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### Section 3.12.2

Debit entry not in accordance with terms of the signed authorization

Debit amount different than what was agreed upon

Debit posted earlier than agreed upon

ARC, BOC, POP entry improperly originated

Entry part of incomplete transaction

Entry, reversing entry, or file was improperly reinitiated

Entry not affirmatively initiated by Receiver in accordance with terms of standing authorization



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### Improper Debit – Section 3.12.2.1

Debit entry improper if it was ARC, BOC, or POP entry to Receiver account for which:

Source document was not eligible

Source document (check) was paid by RDFI

An ARC or BOC for which:

Notice was not provided by Originator

Amount of entry not accurately obtained from Eligible Source Document



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## Improperly Originated RCK – Section 3.12.3

Improperly Originated RCK Entry

Subsection 3.12.3

An improperly originated RCK Entry is one for which:

Notice stating the terms of the RCK Entry policy was not provided by the Originator in accordance with Subsection 2.5.13.2;

The item to which the RCK Entry relate is not an eligible item;

All signatures on the item to which the RCK Entry relates are not authorized or authentic;

The item to which the RCK Entry relates has been altered;

The amount of the RCK Entry was not accurately obtained from the item; or

Both the RCK Entry and the item to which the RCK Entry related have been paid.



## Written Statements

Receiver's printed name and signature

Receiver's account number

Identity of party sending debit

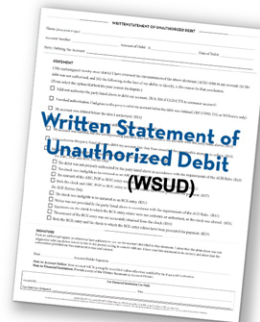
Date entry posted

Dollar amount

Reason for return

Date of signature

Assertion information on the form is correct and signed by an authorized signer on the account



### Extended Return Codes 60 Calendar Days

Unauthorized Debit to Consumer Account Using Corporate SEC Code

CCD or CTX debit entry posted to a consumer account that was not authorized by the Receiver

**R05**



### Extended Return Codes 60 Calendar Days

Authorization Revoked by Customer

Receiver of a consumer debit did authorize this transaction at one time, but has contacted the Originator to rescind that authorization

May not be used with ARC, BOC, POP, or RCK entries

**R07**



### Extended Return Codes 60 Calendar Days

Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receiver's Account

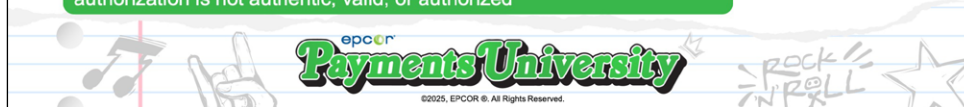
**Used when:**

Receiver claims he/she never authorized the transaction

No relationship with Originator

ARC/BOC entries, notified by Receiver that the signature on the source document is not authentic, valid, or unauthorized

POP entries, notified by Receiver that the signature on the written authorization is not authentic, valid, or authorized



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### Extended Return Codes 60 Calendar Days

Customer Advises Entry Not in Accordance with the Terms of the Authorization

**Used when:**

Authorization was not clear and readily understandable

Transaction for an amount different than authorized

Transaction occurred earlier than date authorized

Incomplete transaction

Improperly reinitiated debit entry



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### Extended Return Codes 60 Calendar Days

Source Document Presented for Payment

Source document to which an ARC, BOC, or POP entry relates has been presented for payment



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### Extended Return Codes 60 Calendar Days

RCK Returns



Item related to RCK entry is ineligible or RCK entry is improper



Item and RCK entry presented for payment



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### Authorized vs. Posted Amount

An account holder calls your institution on July 31 claiming the statement he just received via online banking has an ACH debit that posted on July 3 for an amount different than what he authorized it for.



What would be the appropriate return reason code?



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### Debit to Consumer Account Using Corporate SEC Code

An account holder calls stating that a debit transaction posted to his account 5 days ago for \$765, which he did not authorize. After researching, it is determined that the transaction posted with an SEC code of CCD.



What would be the appropriate return reason code?



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### Incomplete Transaction

An account holder comes into the financial institution and claims she was debited for her electric bill; however, the electric company says they never received the payment. Now, they are threatening to shut off her power.



What would be the appropriate return reason code?



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## Revoked Authorization

An account holder comes in and explains that she revoked her authorization with Fiber Solutions Company, but they continue to debit her account each month via ACH. A debit posted 10 days ago for \$59.99.



What would be the appropriate return reason code?



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## Source Document Posted

Kavin writes a check at Happy Food Mart on July 3rd and the cashier gives Kavin a receipt to sign, but he forgets to hand him his voided check

The check is converted into a POP ACH entry and processed on July 3rd

When Kavin receives his statement on July 21st, he notices the POP transaction on July 4th

He also notices that the check posted to his account on July 7th (check can only be returned within 24 hrs)

His financial institution decided to return the ACH transaction as they are still within 60 days



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### Source Document Posted

What would be the appropriate return reason code?



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### Unauthorized Debit

Kenji Cho is viewing his statement online on August 2nd

He notices a WEB debit transaction on July 27th for \$184.93

He calls his FI to report that this transaction is unauthorized



What would be the appropriate return reason code?



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# 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 1 ACH**

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



James Carrick  
Vice President, Education, EPCOR

