Hello and welcome to the Adelfi overview of the Automated Clearing House, also known as ACH

The agenda for today's PowerPoint presentation is the product resources that are available to you, an overview of ACH, the ACH participants, some terms and definitions, a review of the Payments Origination Application, file import methods, the ACH calendar and deadlines, the NOC & Returns Report, authorization retention and storage, some best practices for your data security, and a quick overview of some special Standard Entry Class Codes. Once the PowerPoint is completed there is also an Online demonstration that will review how ACH works within Online Banking.

The Product Resources that are available to you include the ACH Banking User Management Guide, the ACH User Guide, the training video, Adelfi support – the phone number is 800.921.1130. We can be reached Monday – Friday from 8:30 am – 4:30 pm PT. All ACH documentation may be obtained in Online Banking via the "Help" menu. There is also an ACH rulebook. The rules do change annually for ACH. The updated rulebook may be purchased at the mywespay.org website. They do have a store tab in their website that will allow you to purchase the rulebook.

Quick overview of ACH. Automated Clearing House can be an excellent banking resource for increasing your organization's effectiveness. Once you have been approved to process ACH and everything is put in place you have a fast and efficient way to move funds into or out of your organization's accounts. Some common uses for ACH include your direct deposit of payroll, vendor payments – also known as accounts payable, consumer payments – example would be tuition payments, and cash concentration and disbursement – which is your business to business ACH transactions.

There are five participants within the ACH Network. The first participant would be the Receiver. The Receiver is a person that has given you, the ACH Originator, authorization to either debit or credit their bank account electronically. The second participant would be you, the ACH Originator, an Originator is any individual, corporation or entity that initiates entries into the Automated Clearing House (ACH) network. The third participant would be the Originating Depository Financial Institution, also known as the ODFI, and that would be Adelfi, we are a participating financial institution that originates ACH entries at the request of the ACH Originator. The fourth participant would be the ACH Operator which is the central clearing facility through which all financial institutions transmit or receive ACH entries. The fifth participant would be the Receiving Depository Financial Institution, also known as the RDFI which is any financial institution that receives ACH files.

Some terms and definitions associated with ACH include:
- NACHA – National Automated Clearing House Association – NACHA was formed in 1974 and regulates how ACH transactions should be performed and how ACH data should be safeguarded
- Effective Entry Date – is the date within an ACH file that the ACH Originator would like funds to either debit or credit a Receiver's account
- Settlement Date – the date that the funds are actually exchanged between the ODFI & RDFI by the Federal Reserve
- ACH Credit – A credit or deposit entry that would post to a Receiver's account
- ACH Debit – A debit or withdrawal that would post to a Receiver's account

- SEC – Also known as the Standard Entry Class Code is a three-character code within the file used by the RDFI and ODFI to identify the type of ACH entry

Some more terms and definitions would be:
- OFAC – The Office of Foreign Assets Control. This is a department of the US Treasury that administers and enforces economic sanctions and embargo programs that require assets and transactions involving interests of target countries, target country nationals, and other specifically designated companies, individuals to be frozen. These entries are referred to as "Specially Designated Nationals and Blocked Persons" and are maintained by OFAC on a master list called the SDN List. US individuals, financial institutions, entities are not to do business with anything or anyone that is on this SDN List.
- Unauthorized ACH – a debit entry that a Receiver never authorized or the entry was not in accordance with the terms of the authorization
- Revoked Authorization – Receiver has requested an ACH Originator to stop an ACH debit entry
- Stop Payment – Request from a Receiver to stop a debit entry before it clears the Receiver's account

When you receive an unauthorized or authorization revoked return you should not initiate another entry unless you connect with the Receiver and they provide you with a brand-new authorization and give you permission to begin debiting the account once again.

The Origination Application includes the different payment types that Adelfi would allow you to process. Some examples would be your Payroll, ACH Collections, which would be your debit files, and ACH Payments, which would be your credit files.

It is your responsibility as the Originator to only include appropriate transactions for the specific payment type you have been underwritten and approved to process. For example if you are going to be processing a payroll file then you should include consumer credits in this particular payroll file.

When you are first set up to do ACH you are underwritten by Adelfi with an exposure limit. The system will not allow you to exceed the exposure limit that has been underwritten for you. If you are going to be generating a file that will exceed your exposure limit we do ask that you contact us at least three business days before your scheduled process date and request a temporary limit increase. The Online Banking Administrator or a Master Signer if the Online Banking Administrator is not available can call Adelfi and request a temporary increase. The number is 800.921.1130 ext. 1546

If you would like a permanent limit increase because you are going to be exceeding your underwritten exposure limit on a regular basis that type of request does need to be submitted in writing signed by the Online Banking Administrator or one or two Master Signers, however your account is setup, or two corporate officers. You can fax that written request to the fax number listed on the PowerPoint or you can scan your written request and submit through a secure email within the Adelfi Online Banking system or the Online Banking Administrator, or Master Signer if the Online Banking Administrator is not available, could submit a secure email within Online Banking to get the process started.

The different data input methods that are available to you are the Manual entry – which are the templates maintained within Online Banking, a CSV or NACHA file upload or the NACHA Pass-Thru

For the CSV or NACHA file import you would have a software, a third-party software, that would create a CSV or NACHA file format. The requirements must match the Adelfi specifications and you can see the ACH User Guide for details on the different specifications.   File names cannot contain special characters and the file should not contain an offset entry. The file will be used to import into Online Banking and create a batch for processing. CSV file - comma delimited – it is the comma that allows the system to recognize that a new column is about to begin. The first column with your CSV file would be the Receiver name, the second column would be the routing number, the third column the account number, the fourth column would be the transaction type, 1 for checking and 2 for savings, and the final column would be the dollar amount. Again with the CSV file the comma is what allows the system to recognize a new column is about to begin so you do not want any extra commas in your file otherwise you will get an error message when you try importing the file because there will be extra columns in your file.

With the NACHA Pass-Thru you do need ACH software that generates a NACHA formatted file. With this particular import format you do need to have a balanced file which means that the ACH offset should be turned on.   Within the file the Company ID which is located in spaces 41-50 of the batch header record must have your Tax ID number preceded by the number 1. The Company Name is located in spaces 5-20 of the batch header record and this must match the name Adelfi has for your account in our system. The Effective Date is located in spaces 70-75 of the batch header record and this date must be a valid banking day. The Process Date is one banking day prior to the effective date in your NACHA file. For more information you can see the ACH User Guide.

The ACH Calendar and Deadlines
Adelfi does recommend that one calendar be completed for each payment type that you are approved to process on an annual basis. Adelfi will contact you if an unscheduled file is received to confirm that you did authorize and would like the file processed. We will also contact you if you have a file that is scheduled for processing and it has not been received.   We do ask that if you are going to be doing an unscheduled file that you notify us at least, at a minimum, three banking days prior to processing the unscheduled file.

The cutoff time for ACH is 12:00 noon PT on your scheduled process date. And again the process date is the banking day prior to the effective date. We will process batches until 2:00 pm PT however if you miss the initial 12:00 cutoff there will be a fee imposed. Adelfi does use the calendar as a risk prevention tool. If we get an unscheduled file it is a trigger for us that you are not scheduled to process this particular file so we should contact you to confirm and make sure that it was authorized by you and you would like this unscheduled file processed. Also, if the cutoff time comes and goes and we still have not received your file we know that one is scheduled so we should reach out to you to determine if you are still going to be processing that scheduled file.

ACH Returns and NOCs – NOC is an abbreviation for Notification of Change.
This particular report does require user access. The Online Banking Administrator would assign the user permission to the Returns & NOC report. Then the Online Banking Administrator would need to contact Adelfi because there is a piece we need to do on the back side in order for the user to be able to access the report within Online Banking. The Online Banking Administrator could send an email through Online

Banking notifying us that the user has been added and needs access to the Returns & NOC report or you can call 800.921.1130 ext. 1546 and let us know.

An ACH Originator Return is an ACH entry the Receiving Financial Institution could not post to the account holder's account.

An ACH Notification of Change (NOC) is an ACH entry that had incorrect account information in the file that was processed. The receiving bank manually posted the entry as a courtesy and now they are sending you this notice letting you know the account information that should be updated before you process the next file. When you receive an NOC you do need to change the account information per the corrected data located in the addenda record within six banking days of receiving that NOC or before processing the next entry for that particular receiver.

NOCs and returns can be received up to two business days after file settlement. An email notification can be sent to you when an NOC or return is received. If you are interested in receiving this email notification please contact Adelfi for more information.

Debit entries have a return time frame of 60 days from settlement for Revoke Authorization returns or Customer Advises not Authorized returns. When you receive a revoke authorization or not authorized return you should not process another ACH debit entry for that particular receiver until you have received an updated new authorization from that receiver if they would like you to continue debiting their account in the future.

A stop payment – you would need to contact the receiver when you receive a stop payment return to determine if the stop payment is a one-time situation or an on-going situation.

Sample Originator Return
This what the report looks like when you are in Online Banking and you access the NOC & Returns Report. There is the Receiver Information which includes the Receiver Name from your ACH file and the account number that you used in your ACH file for that Receiver. The Originator Information would be your information – your Originator Name and Company ID which again is your Tax ID number preceded by the number 1. The transaction detail would include the details from your ACH file – the SEC Code, the effective date, the settlement date, and the dollar amount of the entry for this particular receiver. The Addenda tells you why the entry was returned. In this particular sample the entry was returned as a stop payment – R08.

Here is a sample of a Notification of Change (NOC). Again the Receiver Information will include the name of the Receiver from your file and their account number that was in the file. The Originator Information is your information. The Transaction Details would be the details of the entry from your ACH file. The Addenda will tell you what needs to be updated - what the change code is and the corrected data. In this particular sample the NOC code is a C03 which represents an incorrect routing number and incorrect account number. DFI stands for Depository Financial Institution - this throws off a lot of people but that is all it stands for – depository financial institution. Your corrected data is what you will need to update in your template or your database before you process the next entry for this

receiver. In this particular sample there are two different pieces of information that need to be corrected. The first would be the routing number and then there would be a space and the second group of numbers would be the account number. Again with the Notification of Change you do need to update this account information per the corrected data within six banking days or before you originate the next entry for this receiver.

Receiver Authorizations
There is a retention period of two years upon termination or cancellation. Once a receiver notifies you that they no longer want you to debit their account from that point that authorization needs to be retained for two years.

We do recommend that you keep your authorizations in a locked, fire-poof file cabinet with restricted access. We recommend the fire-proof file cabinet because there is a NACHA rule that says upon request you did need to produce a copy of your ACH Authorization. If you have a fire and your authorizations are destroyed you would not be in compliance with that NACHA rule. We recommend restricted staff access because authorizations contain sensitive information - which is account numbers, routing numbers, names and potentially addresses. It all depends on the format of your authorization but for sure it has account numbers and routing numbers and that is all a person needs in order to do fraudulent transactions.

When it comes time to destroy your authorizations we do recommend that you destroy them by shredding and we do also recommend that you handle the authorizations in dual control. When you have two people handling the authorizations, one person is less likely to write down account information – account numbers and routing numbers – with the intention to do fraud.

Some best practices for your data security – we do recommend that you use a dedicated, or at least a highly restricted – meaning no general Internet use – computer for processing ACH payments or banking transactions. We do recommend the dedicated computer because then you don't have different people going out into the Internet doing Google searches, going to Facebook, which just opens up your likelihood of getting hacked and losing your security.

We do recommend that your computer has antivirus software and you keep those virus definitions updated on a regular basis.

All your electronic reports should be stored securely. Encrypted data files, password protected or if you are saving them on a network location that you restrict access to that location. Only need to know staff should have access to any electronic reports.

If you are printing reports and/or authorizations again we recommend the fire-proof file cabinet, locked with limited access. Only people that need to have access to those authorizations should be accessing them.

Now we have the special Standard Entry Class Codes. If you were underwritten to do Accounts Receivable this is the different criteria or requirements that would be necessary in order to do this

particular ACH transaction type. If you are approved and underwritten to process ARC entries Adelfi would connect with you to go over all the details that you would need to know in order to process this particular Standard Entry Class Code.

Telephone Initiated Entries is also a different type of special Standard Entry Class Code. Again if you were underwritten and approved to process TEL entries Adelfi would reach out to you and go over these requirements and everything else you would need to know in order to process TEL entries.

The final special Standard Entry Class Code would be your Internet Initiated Entries. Again Adelfi would connect with you if you were underwritten and approved to process Internet Initiated entries and we would go over all these requirements that you would to know in order to be in compliance with the NACHA rules.

And that is pretty much it as far as the PowerPoint overview goes. The next step would be the Online Banking demonstration. I do hope that you found this overview to be helpful and if you have any questions please do not hesitate to give us a call. We are available Monday through Friday from 8:30 a.m. until 4:30 p.m. Pacific Standard Time. The number is 800.921.1130 ext. 1546.

Thank you and have a great day.