

Hello and Welcome to ECCU's ACH Origination Training.

Training Agenda:

Today some of the items we will be going over are the:

- Product Resources
- Product Overview
- Payments Origination Application Review & Reminders
- File Import
- ACH Calendar and Deadlines
- ACH NOC & Returns
- Authorization Retention and Storage
- Data Security – Best Practices

These last three items – Account Receivable Entries requirements, Telephone Initiated Entry requirements, and Internet Initiated Entry requirements - these are special standard entry class codes that you may not be set up to process so we will just touch on those and will not go into a lot detail.

Once we are finished going over the PowerPoint there is an online demonstration which will show you how to create a template, save a template, edit your template, draft a batch, and upload a CSV file.

Product Resources

The product resources that are available to you include the:

- Online Banking User Management Guide
- The ACH User Guide
- This training video

And you can always call ECCU at the 800 number listed. We are available Monday through Friday from 8:30 to 4:30 Pacific Standard Time.

All the ACH Resources may be obtained in Online Banking when you navigate to the Help menu. There is also an ACH rulebook. The NACHA rules do change annually. ECCU will provide you with the rulebook when you first get set up on ACH and after that the rulebook may be purchased at the website/URL that is listed here on the PowerPoint

ACH Overview

The overview of ACH – basically what ACH stands for is Automated Clearing House which is an excellent banking resource for increasing your ministry's effectiveness. Once ACH origination is in place, you have a fast and efficient way to move your funds into or out of your ministry accounts.

Some of your common uses for ACH include your direct deposit of payroll, collection of recurring donations, tuition or tithes and offerings, and cash concentration and disbursement, which is basically a business to business transfer.

ACH Participants

There are five ACH participants.

The first one is what we call an ACH Receiver. The Receiver is the person that has given you authorization, as the ACH Originator, to either debit or credit their bank account electronically.

The second participant would be you – the ACH Originator. You are the one that is going to be initiating the entries that the Receiver has given you authorization to do.

The third participant is the Originating Depository Financial Institution, also known as the ODFI, and that would be ECCU. We will be sending your ACH files to the fourth participant which is the ACH Operator.

The ACH Operator is the central clearing facility that is going to be batching all the ACH files they receive throughout the day by routing number and then the files will be sent to the final participant which is the Receiving Depository Financial Institution, also known as the RDFI.

Once these files are received by the RDFI they will post them to the ACH Receiver's individual accounts.

Payments Origination Application Review & Reminders

ECCU will request that you complete the Payments Origination Application if you are interested in processing ACH. One of the items that is requested from you to fill in on the application is the Payment Type. ECCU offers the Payroll, ACH Collections, or ACH Payments types.

The payroll is self-explanatory - it would be for your payroll. ACH Collections would include any donations, tithes and offerings, or tuition payments – any type of debit entry. ACH Payments type is for your credit entries, which would include employee reimbursement, or any other type of credit entry that you may desire to process in the ACH environment.

As an ACH Originator it is your responsibility to include the appropriate transactions that coincide with the payment type that you are authorized to process. For example, if you are approved to process payroll then you are going to only include consumer credits in that payroll batch.

ECCU will underwrite you with an exposure limit. You will not be able to process an ACH file that exceeds this limit. If you find that you are going to be exceeding this limit you can call ECCU and request a temporary limit increase which will allow you to process your ACH file. We do ask, if you know that you are going to be exceeding your limit, that you call and request this temporary increase a minimum of three business days prior to your processing date. The phone number is listed here – the 800.921.1130 option 2 to call if you do need a temporary limit increase.

If you would a permanent limit increase that would need to be submitted via fax or Online Banking through the secure email message. The request does need to be on your letterhead and signed by two corporate officers if you going to be sending by fax. Otherwise if you are using Online Banking's secure message then the Online Banking Administrator would be able to send the email.

We do have some different data input methods. There is the manual entry, which is the template, a CSV upload or a NACHA file upload or the Pass-Thru. The NACHA upload and NACHA Pass-Thru requires that you have your own ACH software. That software will generate an ACH file and that is what you will be uploading into Online Banking.

CSV/NACHA File Import

The CSV/NACHA file import will allow you to import data from your software if it generates an excel spreadsheet. If it does generate an excel spreadsheet it does have to be saved as a CSV – comma delimited file. The ECCU specifications are in the ACH User Guide for more details on the NACHA file format or the CSV file format. File names cannot contain special characters when you save your file. And the file should not contain an offset entry if you are uploading a CSV file or a NACHA file format. This does not include Pass-Thru – the NACHA file format. The import is used to create a batch for processing. The CSV file does need to have five columns. The first column would be the receiver name, the second column would be the routing number, the third column would be the account number, the fourth column would the transaction type – a one stands for checking and a two stands for savings, and the final column would be a dollar amount. This is a comma delimited file so the only commas you would want in your file is what is separating the five columns. If you put any additional commas in your CSV file you will get an error message when you try to upload the file because each additional comma would be creating another column.

NACHA Pass-thru

This would be your software that generates an ACH file that is balanced. Most ACH software has this feature that either has the offset entry turned on or turned off. When you are using Pass-Thru that feature does need to be turned on, so the file is balanced. The NACHA file must meet the following specifications

- The Company ID is located in spaces 41-50 of the batch header record. That is your tax ID number preceded by the number 1
- The Company Name_which is located in spaces 5-20 of the batch header record and this must match your name that we have in our system for your ministry name
- The Effective Date is located in spaces 70-75 of the batch header record. That would be the date that the funds are going to be posting to the receiver account

And The Process Date is going to be the business day prior to the effective date. For instance, if you were doing a payroll file and the payroll settles on the 30th of the month your process date would be the 29th. The ACH User Guide has more information regarding the NACHA Pass-Thru

ACH Calendar & ACH Deadlines

ECCU does recommend that you complete one calendar for each payment type that you are going to be processing. ECCU will contact you if an unscheduled file is received to confirm that this file was actually authorized to be processed. We do use the calendar to schedule your process dates and that is how we can determine if we have received an unscheduled file. If it wasn't on the calendar that you submitted to us that is a flag to us that it is unscheduled, and we do want to confirm that you actually created that batch and you would like us to process it. If you are going to be doing an unscheduled file you can contact us by emailing ach@eccu.org and letting us know that you will be processing an unscheduled file. You do want to include the number of items and the dollar amount that will be in the unscheduled file. We do ask that you send us an email notifying us of the unscheduled file a minimum of three banking days prior to processing.

The cutoff time for ACH is 12:00 noon Pacific Time on your process date. The process date again is the date prior to the effective date. If ECCU has not received your batch by 12:00 noon we will send you a courtesy email just stating that you were scheduled to process a file, but we have not received it yet. The cutoff after that is 2:00 p.m. Pacific Time but there would be a fee imposed for missing that initial 12:00 p.m. cutoff.

Returns & NOC's

When you process ACH files you could receive returns or NOCs. NOC stands for Notification of Change. You do need to have permission in Online Banking to receive the Returns and NOCs Report. That is something the Online Banking Administrator would assign to you. After that step you do need to contact ECCU as there is a step on the back side that we would need to complete in order for you to access this report as well.

An ACH Originator Return is an entry that the receiving financial institution could not post. For instance, maybe the account is now closed, or the account holder had insufficient funds, so that receiving financial institution could not post your ACH entry. The Notification of Change is an entry that was manually posted by the receiving bank and the receiving bank had to manually post it because the account information you had in your ACH file was incorrect. So, as a courtesy they do hand post these entries but then they send you an NOC advising you of the corrected data that you need to update before you process the next ACH entry for that particular receiver.

Returns and NOCs are received within two business days after file settlement. You can receive an email notification whenever an NOC or Return is available for you to view however you do need to contact ECCU in order to get that option/feature set up.

Debit entries do have a return time frame of 60 days. So, you could receive a return up to 60 days after file settlement if the ACH debit entry was returned authorization revoked, customer advises not authorized, or as a stop payment. If you receive the R07 (Authorization Revoked) or R10 (Customer Advises Not Authorized) return you do not want to initiate another entry until you get a new

authorization from the receiver authorizing you to continue debiting the account once again. A Stop Payment should not be reinitiated until you have contacted the receiver and determined why the entry was returned stop payment. Maybe the receiver just wanted it stopped one time or they would like it stopped on an on-going basis. You do need to confirm that with the receiver before initiating another entry.

Sample Originator Return

Here we have a sample Originator Return. The top information here gives you the receiver name, the account number you had in your ACH batch and the receiving DFI identifier. That would be ECCU because we are receiving the Originator Return on your behalf. The Originator Name would be you and the Company ID would be your tax ID number preceded by the number 1. The transaction details would provide you with the SEC Code of your ACH batch, it would give you the transaction code and would give you the dollar amount and the company entry description that was in your ACH batch. The Addenda down on the bottom would provide you with the reason why the ACH entry was returned. In this example the entry was returned as a Stop Payment. You can look at the top where it has the receiver information to determine which receiver was returned.

Sample Notification of Change

Here we have a sample Notification of Change. It is basically the same format as the return. The top portion you have the receiver information which would tell you the name of the receiver that the NOC is for, the account number you had in your ACH file. The bottom addenda information will provide you with the NOC – what needs to be corrected. In this particular example we have a C03 which stands for Incorrect Routing Number and Incorrect DFI – which stands for Depository Financial Institution - Account Number. The corrected data would include the new routing number and then a space and then the account number. You do need to update your ACH information per this NOC before you do the next ACH entry. So, you would want to find your receiver in your template or in your software if you are doing a Pass-Thru or NACHA file and you would want to update account information per the corrected data in the NOC. You do want to save this with the original authorization because the receiving bank is accepting liability if they give you erroneous information. ACH does post by account number and this is your proof to why you would have changed your account information for this particular receiver.

Receiver Authorizations

The receiver authorizations should be maintained or retained for up to two years after notice of termination. So, once that receiver has notified you that they no longer desire you to either debit or credit their account from that point you need to keep that authorization for two years.

ECCU does recommend that you store your authorizations in a locked fire-proof file cabinet with restricted staff access. The NACHA rules do state that you need to reproduce a copy of an ACH authorization upon request. If there is a natural disaster and your authorizations are destroyed by fire and you do not save them in a fire-proof file cabinet, you would not be able to be in compliance with that NACHA rule because your authorizations would be destroyed by the fire. That is why we

recommend the fire-proof file cabinet. You want restricted access to your authorizations because they do include sensitive information such as account numbers, routing numbers, names which is sensitive information which everyone should not have access to. When it comes time to destroy your authorizations, we do recommend that you destroy them by shredding. We also recommend that authorizations are handled in dual control. It is less likely someone would have the opportunity to write down an account number or routing number with the intent to do fraudulent activity on the account. If you decide to scan and maintain your authorizations electronically, again, you want to have restricted access to where-ever you are going to be saving those authorizations on your computer.

Data Security- Best Practices

Some best practices for your data security:

We do recommend that you dedicate one computer restricted to your banking activity. That way it is less likely for hackers to get into your computer if you are visiting social media websites or any other type of Google searches that may do on your computer. We also require that you have anti-virus software on your computer and that you update the virus definitions on a regular basis.

All your electronic reports should be stored securely. Encrypted data files or network locations with restricted access. Any printed reports or paper authorizations should be stored in a fire-proof file cabinet that is locked with limited access. Only authorized individuals should have access to those authorizations.

ARC – Accounts Receivable Entries

Accounts Receivable entries – again these you would have to be set up separately for this type of Standard Entry Class Code and basically what you are doing with an ARC is converting a check to an ACH debit. The check does need to be in an amount of \$25,000 or less. The check should be completed and signed by the receiver and the check must have a routing number, account number and check serial number in the magnetic ink. Basically, starter checks are not used for ARC entries. You can contact ECCU for more information regarding this Standard Entry Class Code because again it is a special Standard Entry Class Code that you may not be processing.

Tel- Telephone Initiated Entries

Telephone Initiated Entries is a debit entry for a consumer account only. It is based on an oral authorization that is obtained over the phone. The phone call does need to be recorded; it does need to be initiated by the receiver. You do have to have commercially reasonable procedures in place that verifies the identity of the person you have on the phone, either their address or telephone number, if you have a directory or database you could maintain the information there. You also must have a way of validating the routing numbers that the receiver is giving you. Again, this is an exception type of Standard Entry Class Code so you can always call ECCU for more information if you are going to be originating TEL entries.

Web- Internet Initiated Entries

The Internet Initiated Entries also is a single or recurring debit entry to a consumer account. This is another special Standard Entry Class Code and if you are going to be processing this type of Standard Entry Class Code you can call us for more information and we can go into more detail at that time.

We are now going to transition from the PowerPoint to an Online Banking demonstration.

When you first log into Online Banking you are going to get the Accounts screen. You are going to navigate to the Wire and ACH and then you are going to select Make A Payment.

If you do not have any templates when you first log in, you are basically going to have a blank screen. This is our test environment here at ECCU, so we do have a couple templates here. If you are brand new and are going to be creating a template, you are going to select the "Create Template". It gives you the different payment types and again this is all based on what you are approved to process. You got your ACH Batch, ACH Collection and your Payroll. I am going to select ACH Collection. Your template name – they are going to see this on their bank statements, so you want it to be something that is recognizable but also professional. For instance, if this your monthly donation that happens on the 15th you could put Donation 15 as your template name. Your Standard Entry Class Code - this is very important – PPD Prearranged Payment and Deposit is for your consumer accounts. CCD Cash Concentration and Disbursement is for business accounts; non-consumer accounts. You do have to separate these out and do a separate ACH batch for each Standard Entry Class Code. You cannot have business account holders in a PPD batch because PPD batches are for consumers only. I am going to pick the PPD SEC Code. Your "Deposit To" - that is going to be the name that we (ECCU) have in our system. As I said this is our test account so that is why we have ECCU Test Customer because that is the name of our ministry in our test environment. The Account Number – you are going to pick you offset account. Typically, when you are approved for ACH you have just one offset account so that is what you would see here and what you would pick from.

Now down here you have a way that you will be adding your recipients. If you notice you have "Add Multiple Recipients" or you have "Add Another Recipient". When you enter your recipients under "Manage Recipients" – and I will go over that with you as well – and click here (Add Multiple Recipients) all the recipients you created under "Manage Recipients" will populate. From here you can pick the recipient, or ACH Receiver, that you would like to have in your ACH template. I am going to select a couple here and then I am going select "Add 4" and now if you see when we are back in our template our four recipients are listed there.

Now if you did not add a recipient under "Manage Recipient" you can add it here – you would click on "Add another recipient" and then when you click in the "Search by Name" box you have a "New Recipient" button/icon. You are going to click on that and that brings up your Recipient Details. Your Display Name – let's do Joe Smith – your account information – account type is either a checking or savings – enter an account number (that you would have on the ACH Authorization) – and then the ACH routing number. You are going to select this checkmark (orange checkmark) because that checkmark is going to tell the system that you are done entering the details for this particular recipient. You would

then have to click on the “Save Recipient” button. If you forget to Save Recipient your recipient will be gone. You will get a message the recipient has been saved. I can close the popup and if you notice Joe Smith is now included in my template. Now I am going to add some dollar amounts and I am going to “Save”. If I forget to save my template it will not be there when I log off and log back into the Online Banking system. I receive a message that my template has been saved and it is asking me if I want to close my template or collect. If I select Collect that will create my batch. So, I am going to go ahead and select Collect and it is going to ask me for an “Effective Date”. Again, your effective date is the day the funds are going to actually post to your recipient’s accounts. Now my Template Name is Donation 15 which tells me that my donations are going to settle or post on the 15th of the month. If you notice the 15th is on a Saturday so I am going to actually settle on the 17th. When you are doing debit entries and your settlement dates lands on weekend you do not want to settle sooner you want to settle later. So, I am going to settle on Monday the 17th. And that is because the 15th is on a Saturday.

Now let’s say I do not want to include a recipient in my batch. I am going to click on the three dots and if you notice I have a “Do Not Collect” option. If I select that it is going to change from my dollar amount to “Not Collected”. That means when I draft this batch my recipient Test 101 will not be included. If I go back to these three buttons and select “Collect” it is going to change it back to my dollar amount that I had previously. I am going to go ahead and select “Draft” – and, another note, on the bottom left corner it tells you how many people you are collecting for – number of people in your template – and the dollar amount. I get a message that my payment is processing and then it tells me that my payment has been drafted. So, I can “View in Activity Center” and my batch is in Activity with a drafted status. This tells me the dollar amount, description (Donation 15), total payments is 5, SEC Code is PPD, and if you scroll down a little more you have a list of all the recipients that were in the batch that was just drafted. We do need to authorize this batch so again I am going to click on the three buttons, which is your Actions buttons, and I am going to select Approve. It is going to give me a warning message – are you sure you want to approve – and I am going to confirm, and it tells me that my approval is successful. If I look back at my activity my status is now authorized. If, for whatever reason, I wanted to cancel this batch because I do not want it to process, I would go back to my three dots, which are my Actions, and I would select Cancel. Again, it will ask me if I am sure I would like to cancel. I am going to confirm and now my status is cancelled. This means this batch will not be processed.

Now if we go back to Wire and ACH > Make a Payment we have some existing templates listed. Let’s say we want to process but we have some edits that we need to do in our existing template. Again, I am going to go to my Actions button, the three dots, and I am going to select Edit. That is going to open up my existing template and I will be able to add recipients if I need to, again, I can select “Add Multiple Recipients” and that will bring up all recipients that have been created under “Manage Recipients” and I can add - lets add two more recipients to our batch or you can add another recipient down here - click on the Search by Name and if it is a new recipient that you forgot to add under Manage Recipients you can click on the New Recipient and it will bring up the Recipient Details, just like before. I am going to cancel this since we already did this in the previous batch, same as before under actions, if you would like to remove, this would totally delete this recipient from your template. Don’t forget to Save because changes were just made to the template. It will ask me if I want to Close or Pay/Collect. If I close my template my changes will be there the next time I access my template, or I can Pay/Collect and draft my ACH Batch. Again, the effective date is the day that the funds are going to post to the individual

accounts. I am going to pick the 14th and I am going to select Draft and I am going to View in Activity Center and again the batch is there in drafted status. If we go to our Actions I can Approve the batch and I am going to confirm and now my batch is in Authorized status. One thing to note One Person can authorize and draft a batch under \$10,000. If your ACH batch exceeds \$10,000 one person cannot complete the authorization piece. One person does need to draft and another person needs to authorize. That is a \$10,000 limitation that the system has in place. If you look we did create more than one batch but I am only seeing in my Activity the one batch I just authorized and that is because it is the only Transaction ID that is listed under Transaction ID. That is the ID number for this particular batch. If I get rid of that Transaction ID and select "apply" I will see everything in my Activity that has been done in the system. You will see the cancelled batch we just did and some other transactions that were done in the past.

To Manage Recipients outside the template – Go to Wire and ACH > Manage Recipients. This is where you can edit existing recipient's information - you would select the Edit option in the Actions which will open your recipient's information. You would edit whatever would need to be updated – account number, routing number – this is where you would do that. You would select the checkmark and then don't forget to save your recipient. If you forget to save the recipient your changes will not be included. If you have a New Recipient you would click on the Orange New Recipient button and enter the Display Name – that would be the name of your receiver – you can setup a recipient to process both ACH and Wires, since we are going over ACH I am going to change this to ACH Only. Select your account type – checking or savings – enter your account number and the routing number. Select the checkmark and Save. I receive a message that my recipient has been saved. Now when go into my Template and I select edit > Add Multiple Recipients > The one I just added – Joe Joe - will be listed. He is an option now that I can put into a template.

Now you also have the ability to import a CSV file. I am going to go back to my Make A Payment menu and I will select "New Payment" and then Select "Payment From File". I am going to select my Payment Type – depends on what you are processing, Payroll, Collection or Batch – I will select Payroll. The guidelines that I went over in the PowerPoint will populate – how you need the five columns, your commas, the 1 stands for checking and 2 stands for savings. You will then select file to import – navigate to your file and will show up in box and select Upload File. Again, you are going to select your Offset Account – drop down under the Pay From/Pay To and enter effective date. Your recipients will be listed and you can Draft and Approve. If you have any errors you would get an error message and you would not see your recipients listed here. I can go ahead and Draft > View in My Activity Center > Go to My Actions and Approve. And my Payroll is listed there. The Toggle Details will change your view. If you noticed I selected Toggle and all we have is the bare minimum. If I go back and select Toggle Details it will show me more information regarding the file that I just uploaded.

If you have any questions when you are creating recipients, drafting a batch, please feel free to give ECCU a call. We are here to help you and assist you in any way we can.

This concludes our presentation of the Online Banking and I hope you find this helpful and again if you have any questions please do not hesitate to give us a call.

