Community West Bank

BUSINESS
Online Banking

ACH User Guide

TABLE OF CONTENTS

ACH Overview

This information does not replace your responsibility for understanding and following ACH Rules, however it will provide some basic information about ACH.

What is the ACH Network?

The Automated Clearing House (ACH) Network is an electronic payments network used by individuals, businesses, financial institutions and government organizations. The Network functions as an efficient, electronic alternative to paper checks. It allows funds to be electronically debited or credited to a checking account, savings account, financial institution general ledger account or credited to a loan account.

The ACH Network is a batch processing, store-and-forward system. Transactions are stored by the financial institutions through the day and processed at specific times in a batch mode. This provides significant economies of scale and faster processing than check payments. All information necessary to process a transaction accompanies the ACH entry.

Participants in the ACH System

The **Receiver** is a natural person or an organization which has authorized an *Originator* to initiate an ACH entry to the Receiver's account with the *RDFI*.

The **Originator** is the entity that agrees to initiate ACH entries into the payment system according to an arrangement with a *Receiver*. The Originator is usually a company directing a transfer of funds to or from a consumer's or another company's account. In the case of a customer-initiated entry (SEC code CIE), however, the Originator may be an individual initiating a funds transfer to or from his or her own account (through a bill payment service provider or a home banking product). The term "company" includes any organization.

The **Originating Depository Financial Institution (ODFI)** is the financial institution that receives the payment instructions (transactions) from *Originators,* and forwards the entries to the *ACH Operator*.

An **Automated Clearing House (ACH) Operator** is the central clearing facility, operated by a Federal Reserve Bank (FRB) or a private organization, which receives entries from *ODFI*s, distributes the entries to appropriate *RDFI*s, and performs the settlement functions for the affected financial institutions.

The **Receiving Depository Financial Institution (RDFI)** is the financial institution that receives ACH entries from the *ACH Operator* and posts them to the accounts of its depositors (*Receivers*).

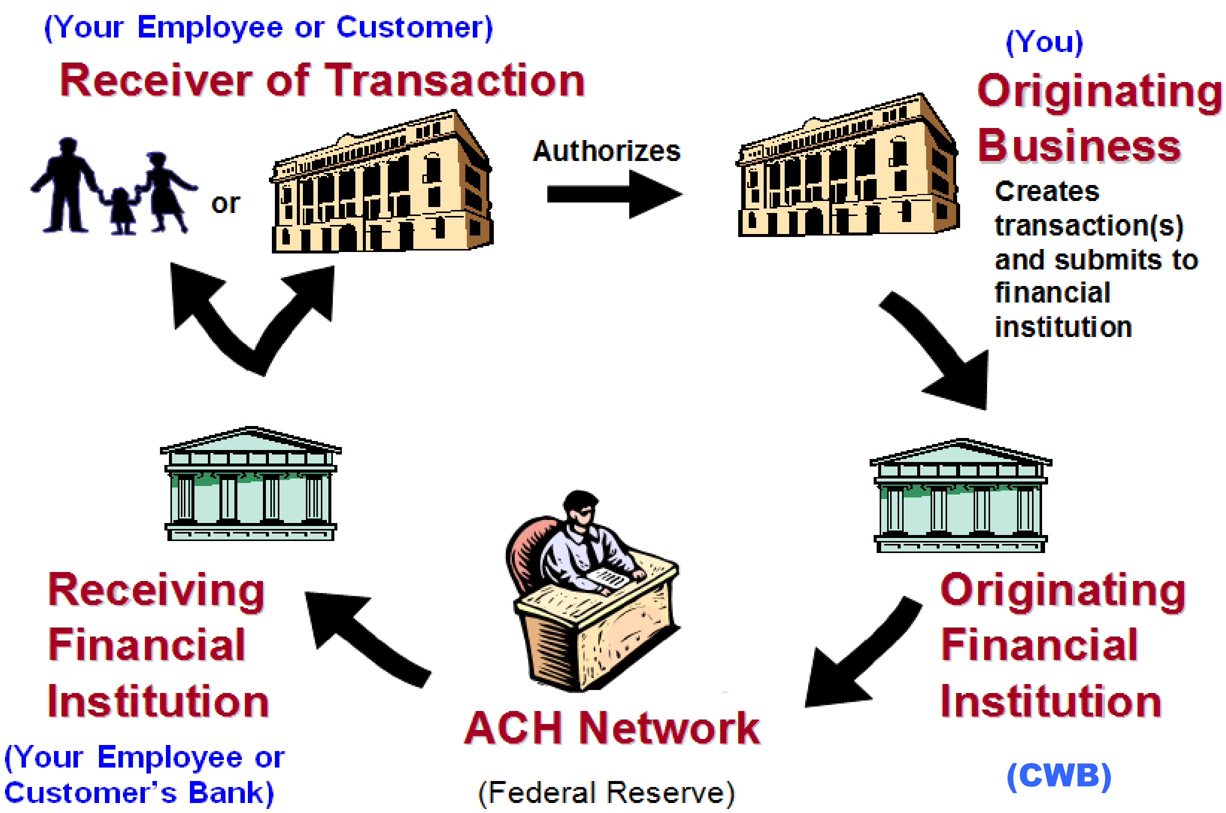
How does the ACH Network Function?

As the Originator, your company must first obtain authorization to initiate a transaction to the Receiver's account or provide notice to the Receiver that a transaction will be initiated to their account. Your company (Originator) then creates a file of ACH transactions which is sent to your ODFI. Debit Authorizations are to be retained for two years following the last entry, Credit Authorizations are to be retained as long as entries are taking place.

The ODFI collects ACH files from Originators which it has contractual relationships, verifies the validity of these files and at a specified time, transmits these files to the ACH Operator. The ACH Operator receives ACH files from the ODFI, edits the files to make sure they are formatted properly and distributes the files of entries to the RDFIs.

The RDFI receives files of entries from the ACH Operator for its account holders. Entries are posted based upon the settlement date and account number.

Settlement is the actual transfer of funds between financial institutions to complete the payment instructions of an ACH entry. The timing of the settlement is based upon the Effective Date indicated on the ACH file and the time of its delivery to the ACH Operator. Your company, as the Originator, will determine the Effective Date. This is the date your company intends the entries to post to the accounts of the Receivers (employees or customers).



What is a Prenotification (Prenote)?

Prenotifications (prenotes) are non-dollar entries used by your company to verify that the account number and bank routing number are valid. Prenotes are originated similarly to dollar valued ACH entries, except that special transaction codes are used and a zero-dollar amount is indicated. Allow 3 business days following the effective date of a prenote before sending the first "live" dollar file.

If there are any errors in a prenote entry or it cannot be processed, a Notification of Change (NOC) or return will be sent by the RDFI to the ODFI to notify your company of the necessary corrections to be made. Corrections must be made and another prenote processed prior to the "live" dollar file.

What is a Notice of Change (NOC)?

An NOC is transmitted by an RDFI to notify your ODFI that information contained in a posted entry is erroneous and needs to be changed. When receiving a NOC, the correction must be made before transmitting the entry again. NACHA (National Automated Clearing House Association) has strict regulations for handling NOCs, including time frames.

What is an ACH Return?

An ACH return is an entry that the RDFI is unable to post for reasons defined by specific return codes. You may only attempt to resend a returned entry if the item came back because of either non-sufficient funds (return code R01) or uncollected funds (R09). You may try to resubmit a return item up to two times. After the 2nd attempt you must process that item in a way different than by ACH. Any item returned for a reason other than for non-sufficient funds or uncollected funds cannot be re-sent. NACHA (National Automated Clearing House Association) has strict regulations for handling ACH returns, including time frames.

What is the difference between ACH Credit and Debit entries?

ACH credit entries occur when an Originator initiates a transfer to move funds into a Receiver's account. The Receiver's account is credited. The most typical consumer ACH credit entry is the direct deposit of payroll.

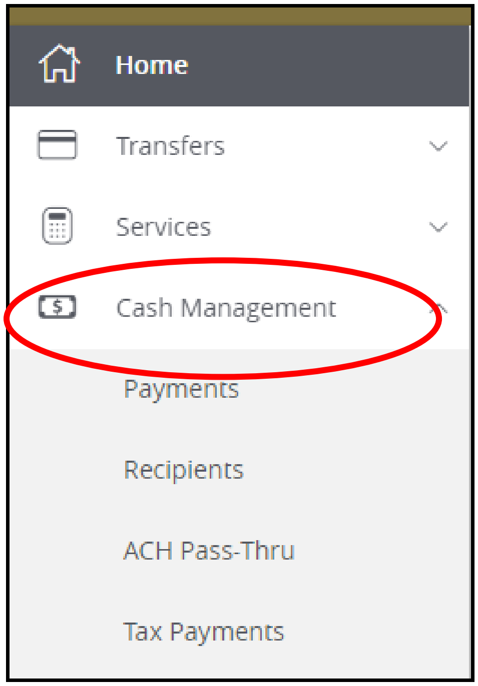
ACH debit entries occur when funds are collected from a Receiver's account and transferred to an Originator's account, even though the Originator initiated the entry. The Receiver's account is debited. Typical consumer ACH debit entries include pre-authorized transfers involving payments, such as insurance premiums and utility payments.

What is the difference between PPD and CCD?

The ACH Network has established a number of specific Standard Entry Class (SEC) Codes, each used for a different purpose. NACHA regulates different rules for the different SEC Codes. The SEC Code identifies the payment type and the specific computer record format that will be used to carry the payment and payment-related information relevant to the application. The most common SEC Codes are PPD (Prearranged Payment and Deposit) and CCD (Cash Concentration or Disbursement). PPDs are consumer applications, a typical example is payroll direct deposit. CCDs are corporate applications, a typical example is when a company moves funds to another company. PPDs and CCDs can be debit or credit transactions.

Accessing ACH in Business Online Banking

The ACH functions are accessed through the Cash Management menu.



Payments = Batch, Collection and Payroll Files

- Batch: ACH Credits – PPD (person) & CCD (company)
- Collections: ACH Debits – PPD (person) & CCD (company)
- Payroll: ACH Credits – PPD (person)

Recipients = Payee/Payor Templates

ACH Pass-Thru = For Processing NACHA Formatted Files

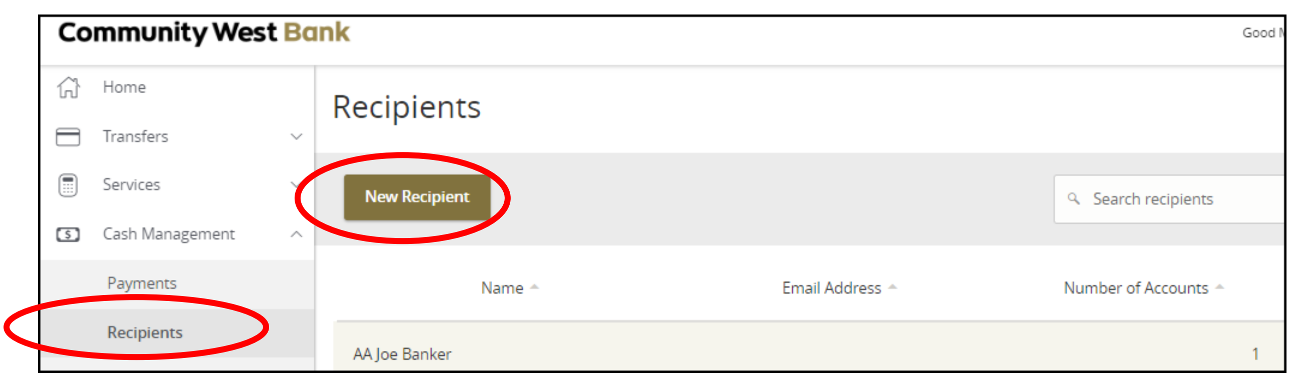
Adding Recipients (Payees/Payors) and Sending Prenotes

Prenotifications (prenotes) are non-dollar entries used by your company to verify that the account number and bank routing number are valid. Prenotes are originated similarly to dollar valued ACH entries, except that special transaction codes are used and a zero-dollar amount is indicated. Allow 3 business days following the effective date of a prenote before sending the first "live" dollar value file.

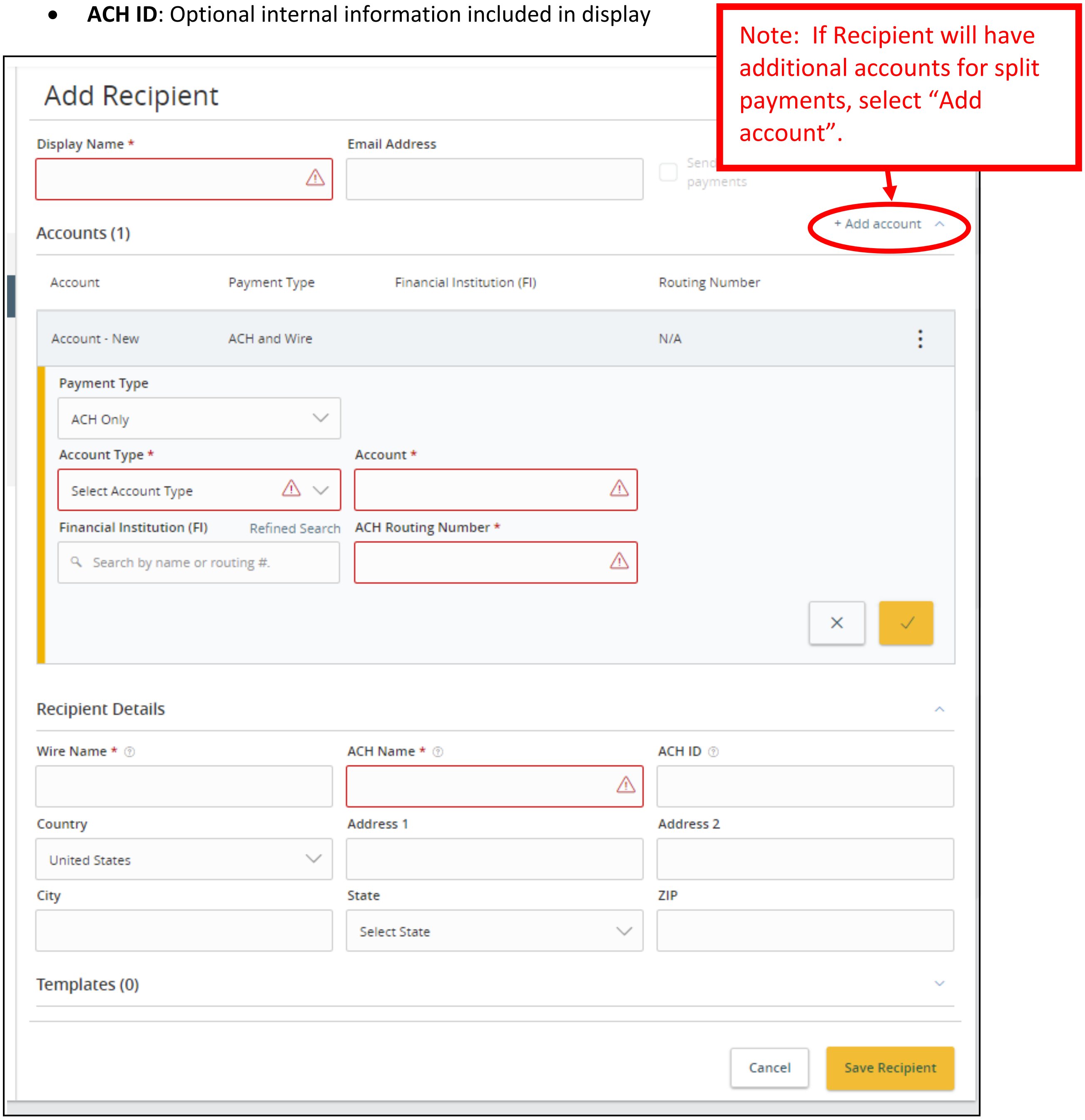
If there are any errors in a prenote entry or it cannot be processed, a Notification of Change (NOC) or Return will be sent from the receiving financial institution, providing the necessary corrections to be made. <u>Corrections must be made and another prenote processed prior to the "live" dollar file.</u>
(See page 21 for additional information about NOC-Rs and a sample notice.)

Adding new Recipient(s)

1. From the **Cash Management** menu, select **Recipients** and then **New Recipient**



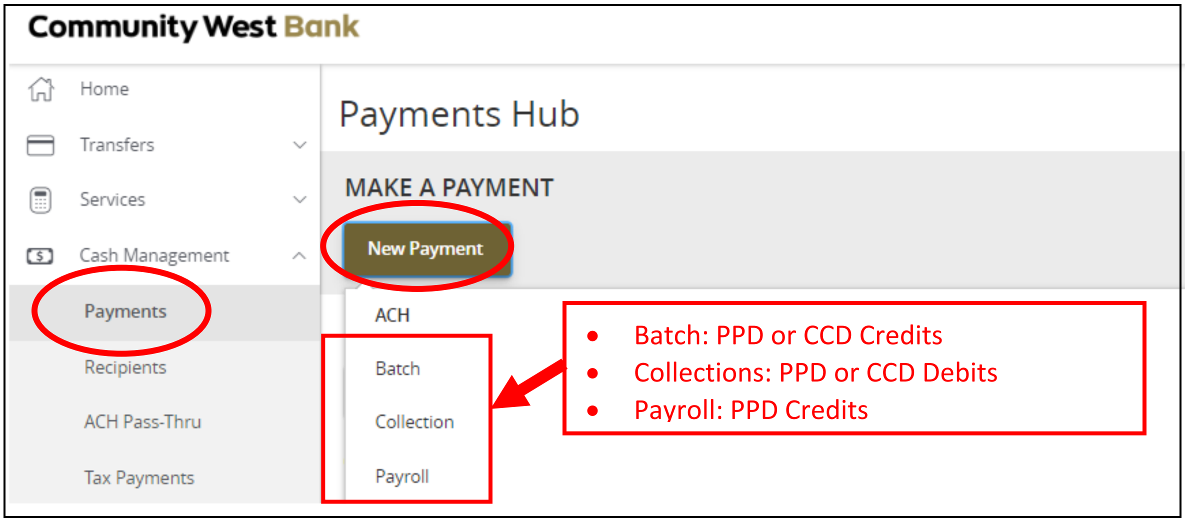
2. Fill in Recipient(s) information from the completed ACH Authorization, being sure to complete all required fields as indicated with the asterisks.
    - **Display Name**: Name that will display for searching and sorting. Can be the legal name of the recipient or a nickname (i.e. last name, first name; name and employee number; etc.
    - **Email Address**: Optional
    - **Payment Type**: ACH Only, Wire Only, ACH and Wire
    - **ACH Name**: Legal name of recipient, limit of 22 characters
    - **ACH ID**: Optional internal information included in display



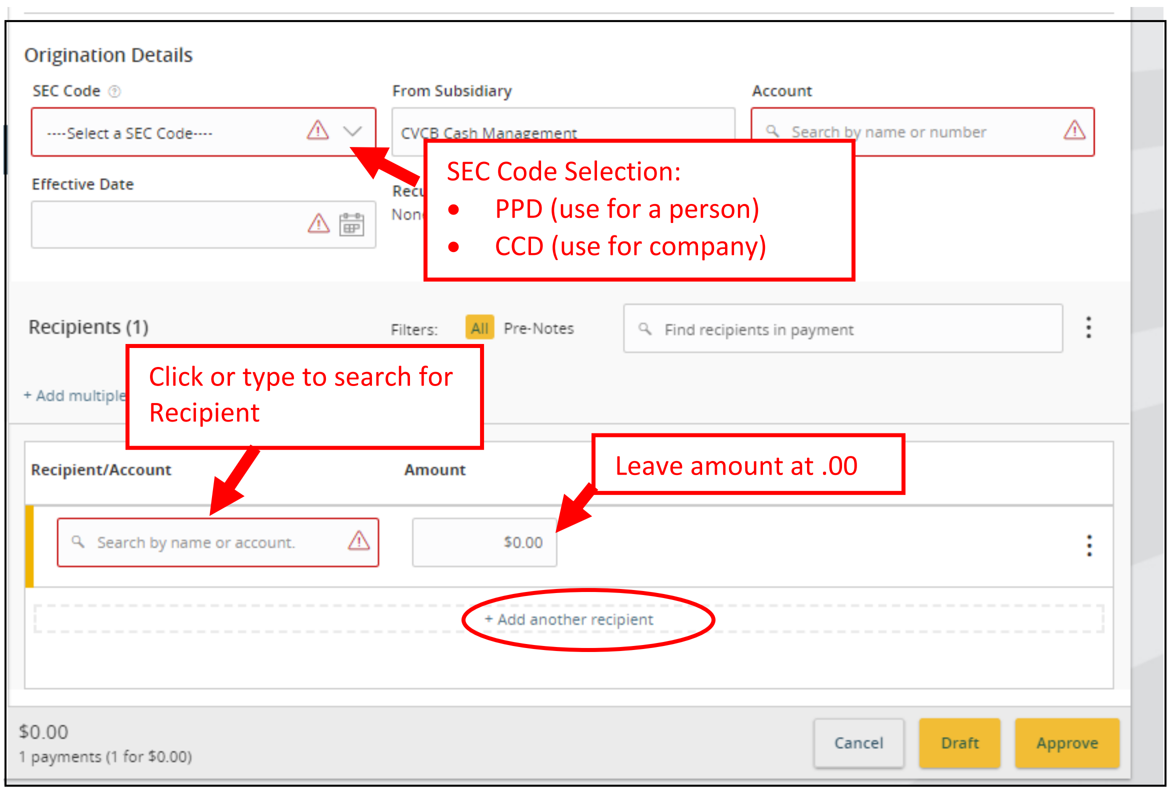
3. Select **Save Recipient**. Continue adding additional Recipients, if applicable.

Sending Prenotes

1. From the **Cash Management** menu, select **Payments**, **New Payment** and the applicable **ACH Type**.

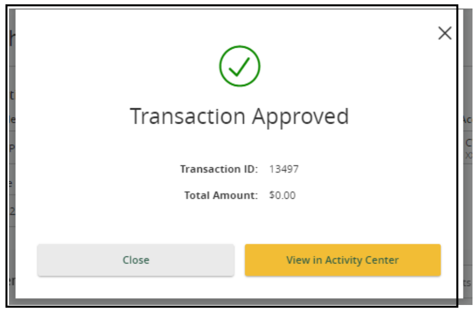


2. Prepare the file.
3. Add **Recipient(s).**

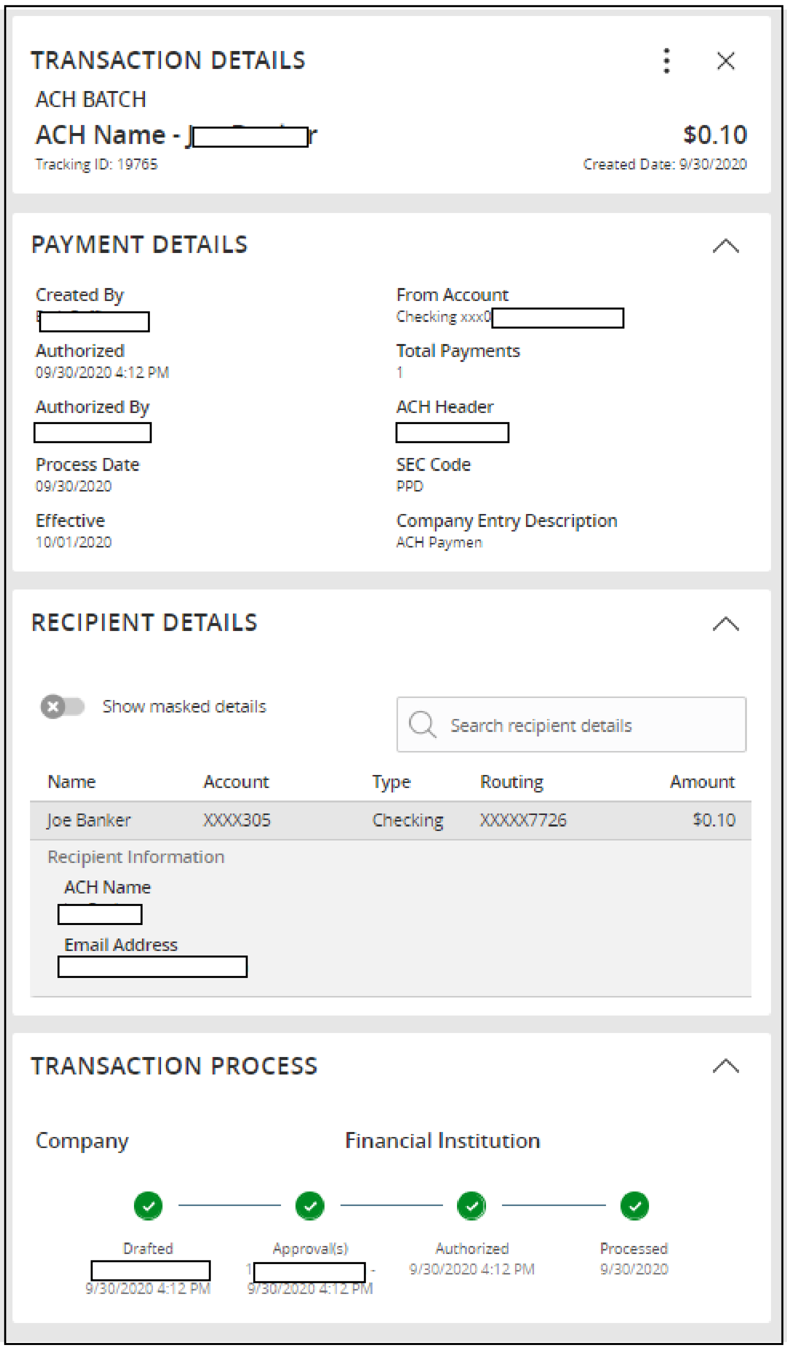


4. Select **Draft** or **Approve,** depending on permissions.

NOTE: Allow 3 business days following the effective date of a prenote before sending the first "live" dollar entry, if no ACH Notice of Change or Return is received within this time, a dollar value file may be submitted.

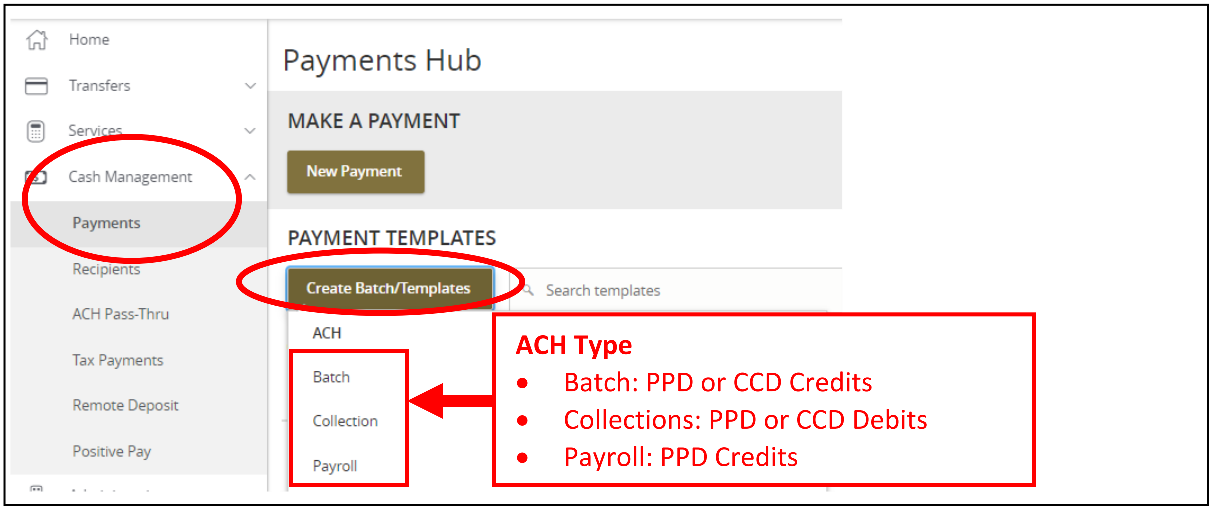


Details are available in Activity Center/Transaction Activity

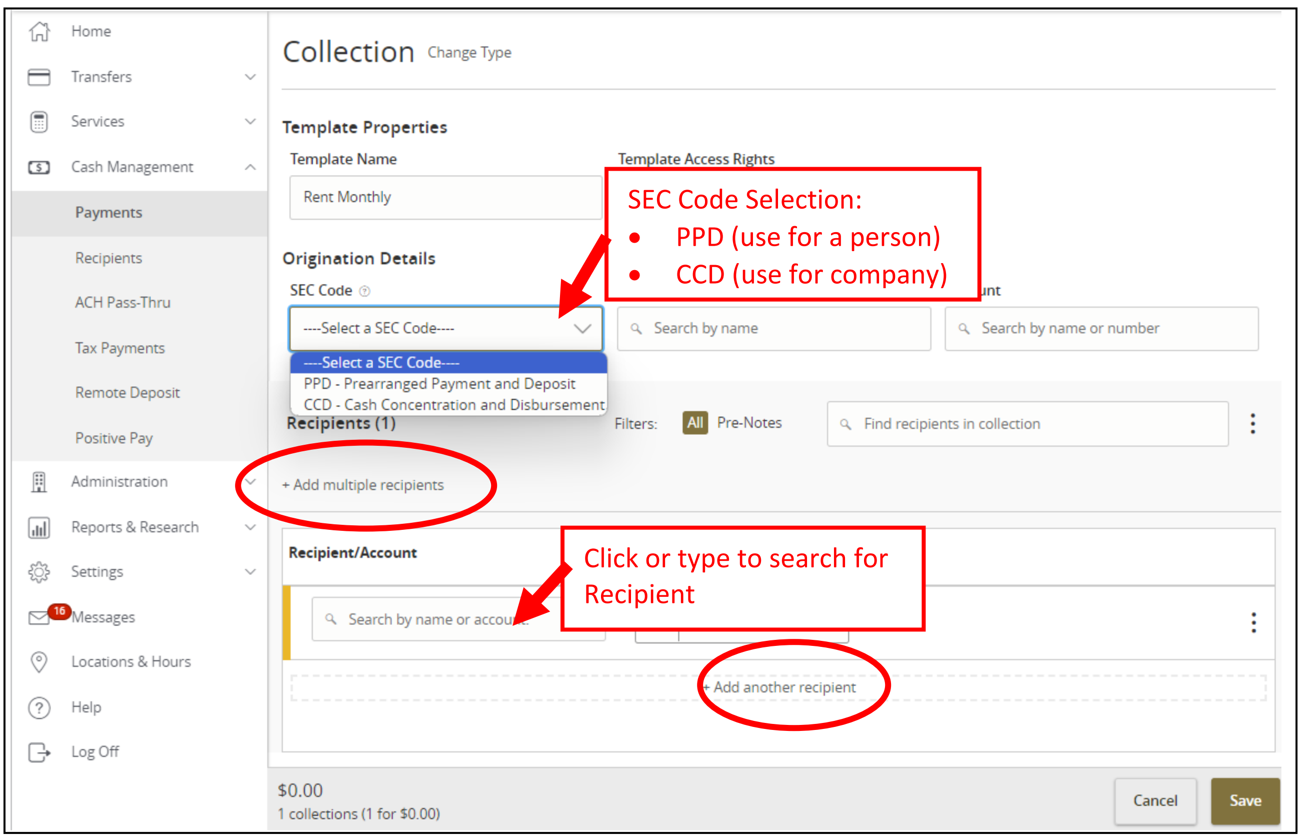


Creating an Internal ACH File Template

1. From the **Cash Management** menu, select **Payments** and then **Create Batch/Templates.**
2. Select the applicable **ACH Type.**



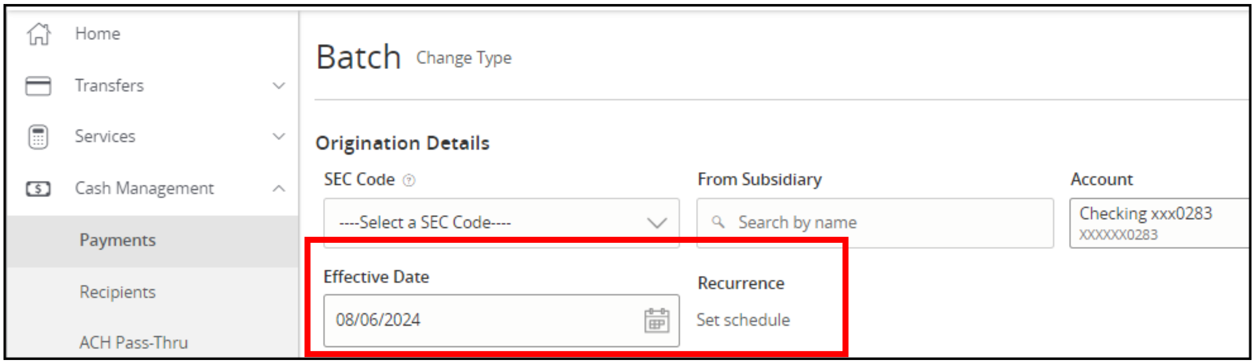
3. Build the File Template and add Recipient(s).
   - For Batch and Collection, select the applicable SEC Code
   - You may select Multiple Recipients or one at a time
4. Click **Save.**

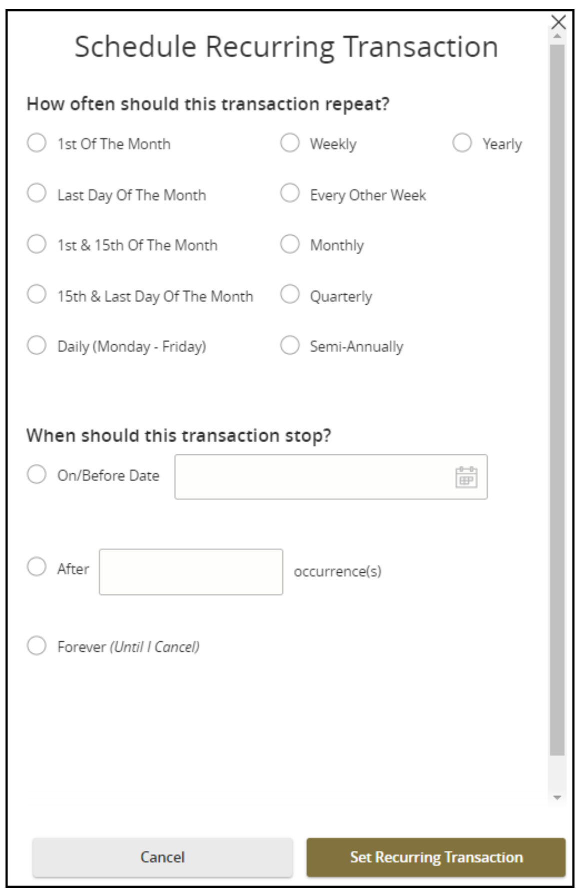


5. Close the Template or select **Collect/Pay** (option will depend on ACH Type) to create a file to submit. See **Submitting an Internal ACH File From a Template** on page 13 for additional information.

Creating a Recurring ACH File

1. From the **Cash Management** menu, select **Payments** and then **New Payment.**
2. Select **Batch**, **Payroll** or **Collection**, as applicable.
3. Select applicable **SEC Code**, if necessary.
4. Select **Subsidiary** and **Account**.
5. Enter **Effective Date** for first payment/collection.
6. Click **Set Schedule** under Recurrence.
7. Enter the desired recurring parameters and the click **Set Recurring Transaction** at the bottom.

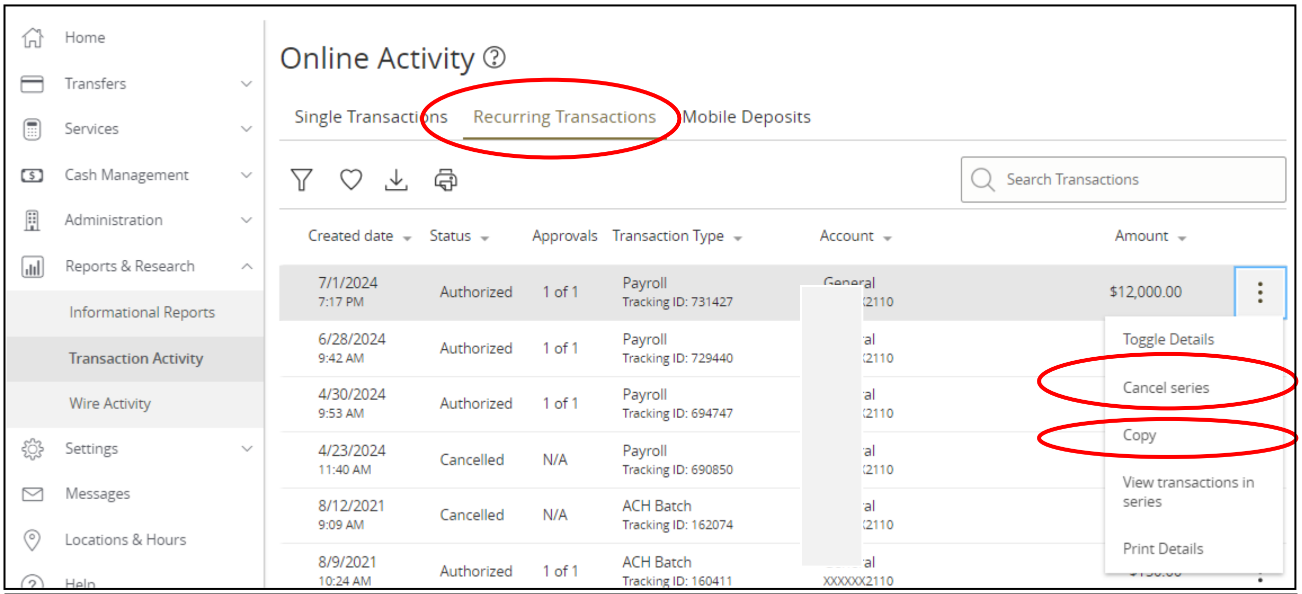




Editing/Canceling a Recurring ACH File

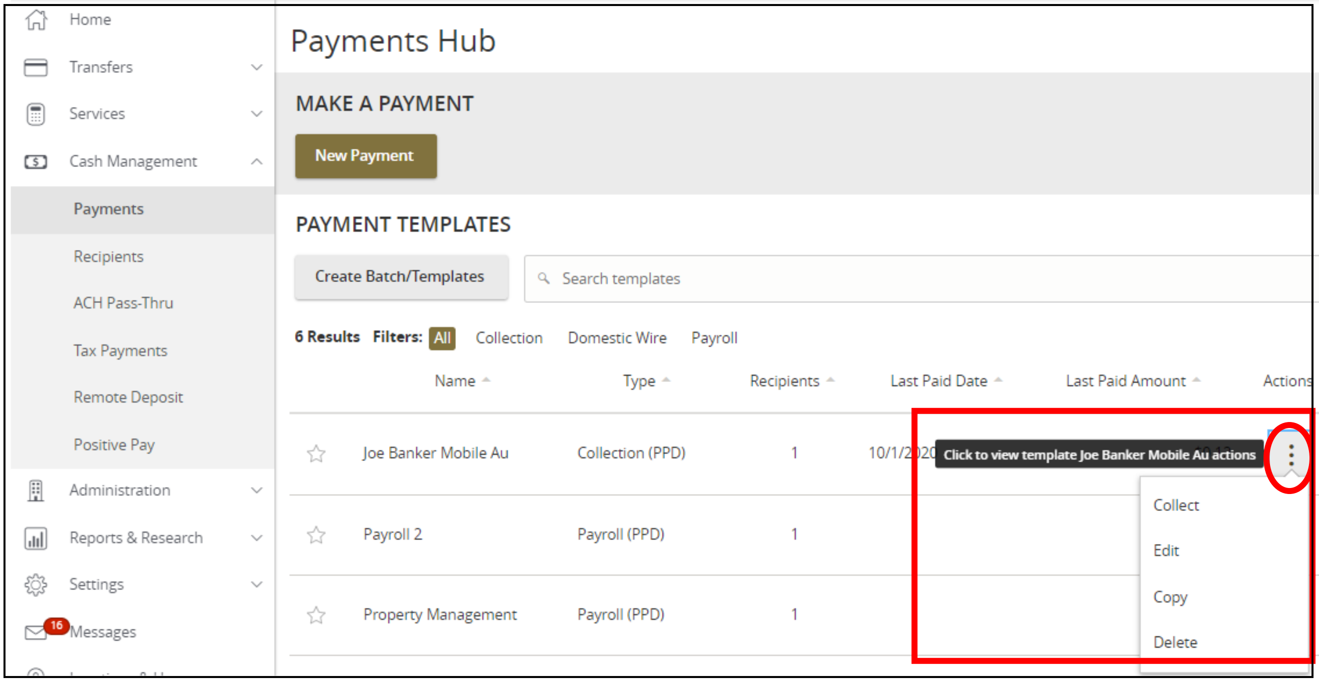
Changes to a recurring transaction/file are done by canceling the existing file and creating a new one.

1. From the **Cash Management** menu, select **Reports & Research** and then **Transaction Activity.**
2. Click on the **Recurring Transaction** heading.
3. Locate the applicable recurring transaction and click the options (three dots).
4. Select **Cancel series** to stop the existing recurring file.
5. Click the options (three dots) again and select **Copy**.
6. Make the desired changes and create a new recurring transaction.

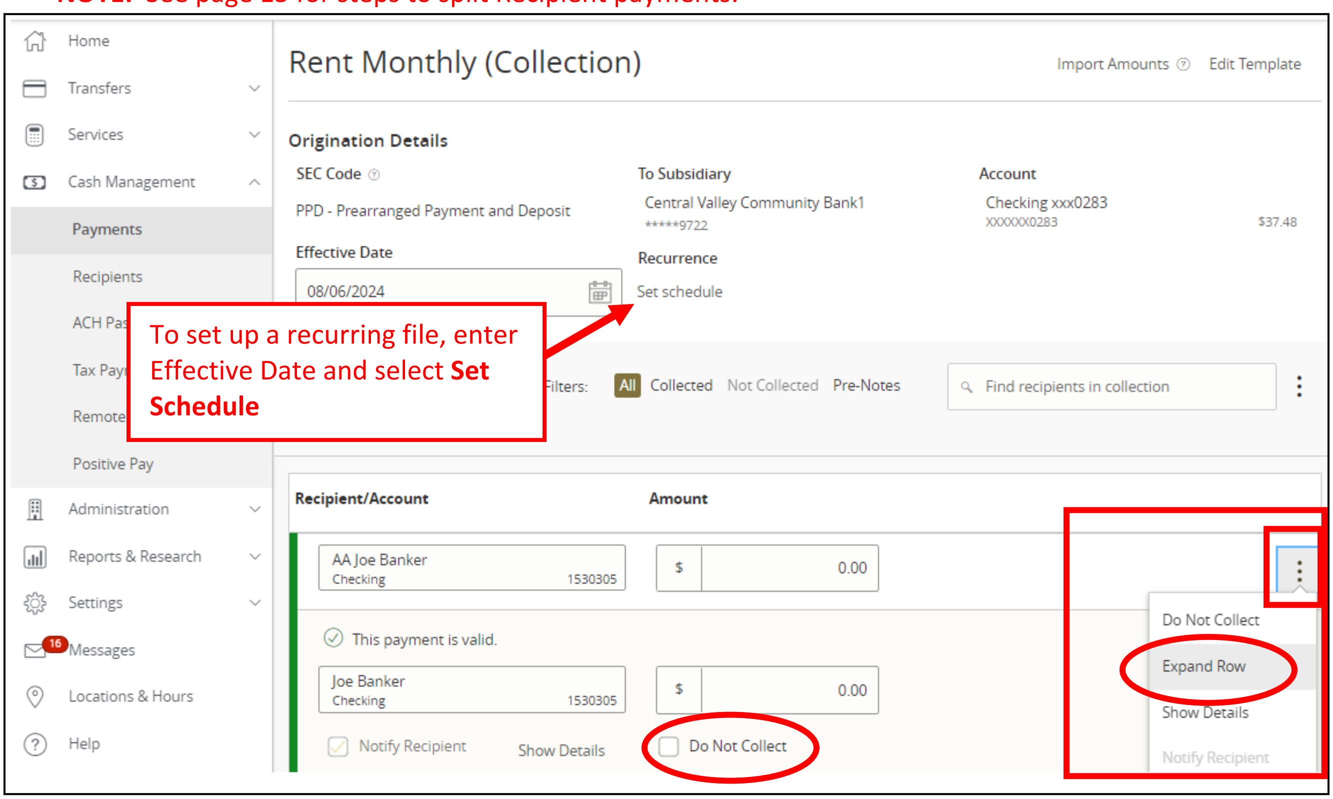


Submitting an Internal ACH File From a Template

1. From the **Cash Management** menu, select **Payments.**
2. Click on the options (three dots) for the applicable Template and select **Collect/Pay.**



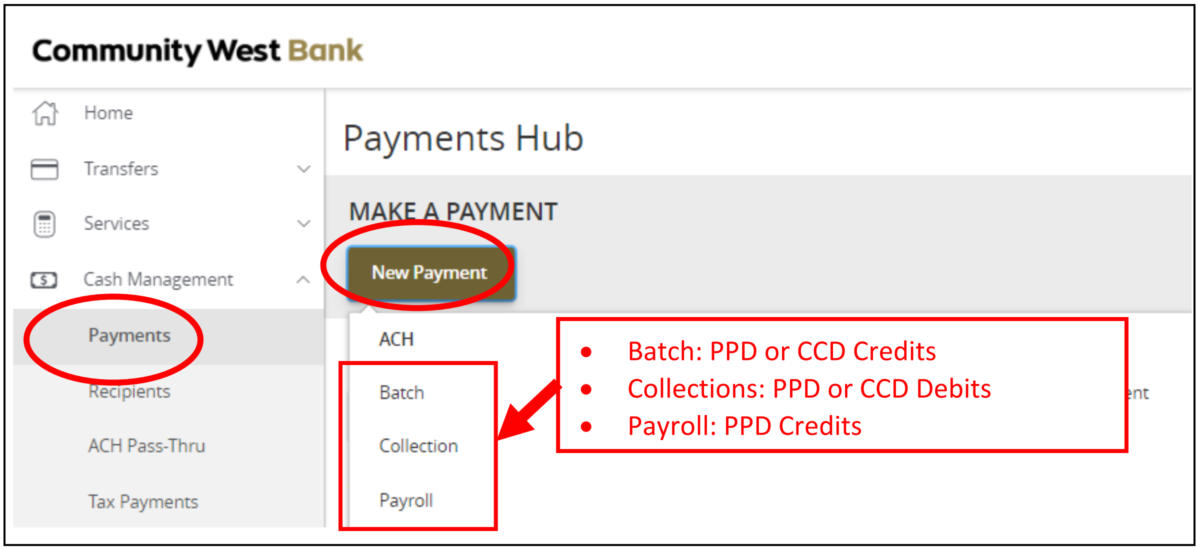
3. Enter the **Effective Date** and update **Amounts.**
   NOTE: To exclude a Recipient, use the options (three dots) for the individual Recipient or File and select **Do Not Pay/Do Not Collect**. <u>Leaving amount at .00 will result in a Prenote being sent.</u>
   NOTE: See page 15 for steps to split Recipient payments.



7. Select **Draft** or **Approve,** depending on permissions.

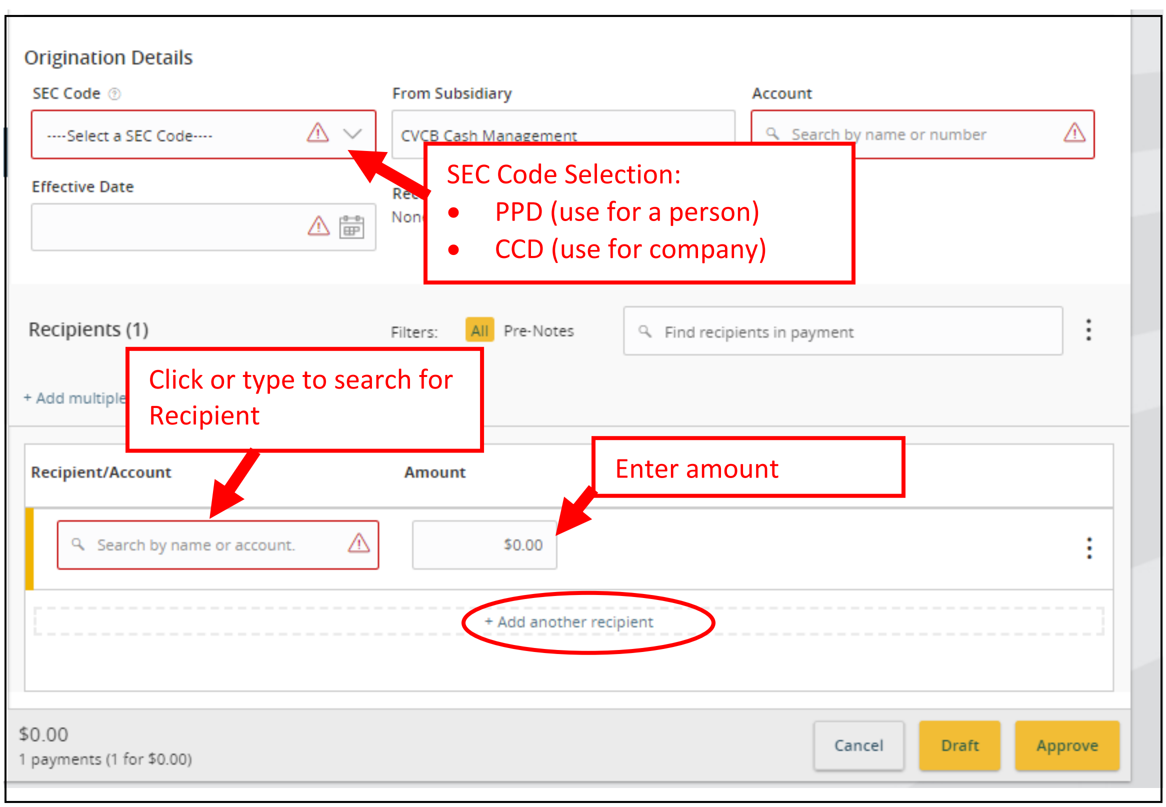
Submitting an Internal ACH Transaction or File (Not From a Template)

1. From the **Cash Management** menu, select **Payments**, **New Payment** and the applicable **ACH Type.**



2. Prepare the file.
3. Add **Recipient(s)** and **amount.**

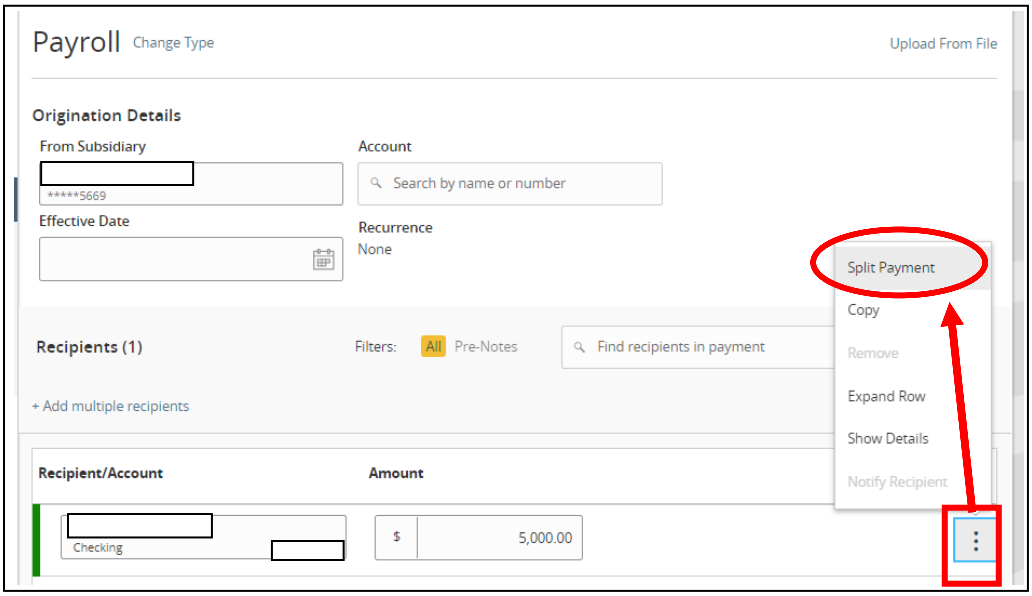
   NOTE: See page 15 for steps to split Recipient payments.



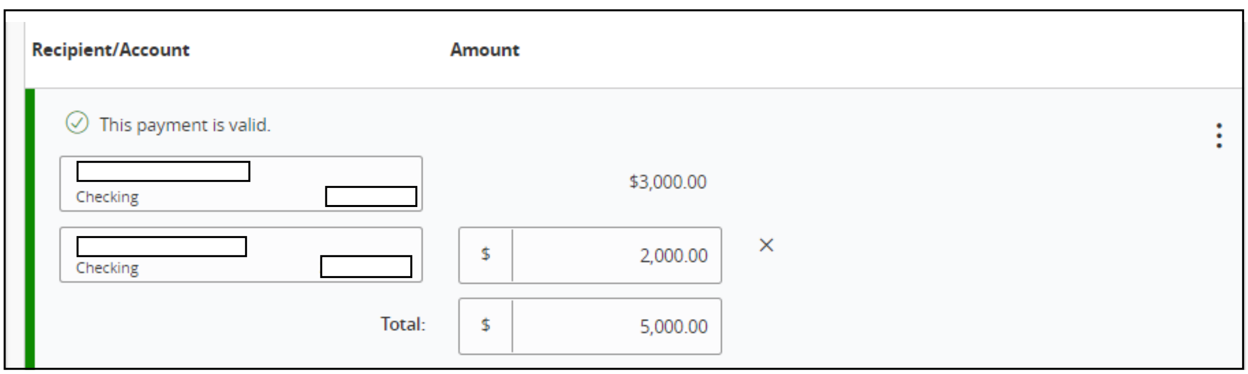
4. Select **Draft** or **Approve,** depending on permissions.

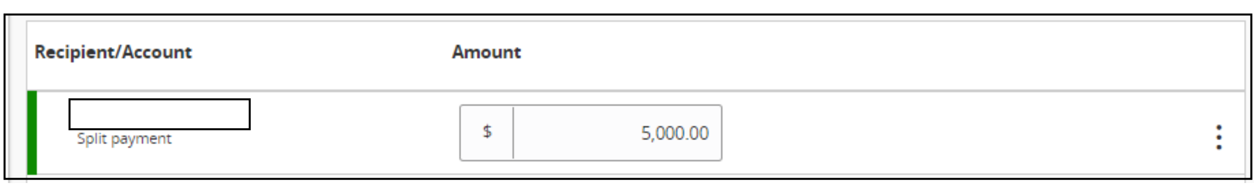
Creating a Split Payment

1. Prepare the **Payment** (Batch, Payroll, Collection).
2. Select/add the applicable **Recipient.**
3. Enter the amount to be paid to the first account, then click the **Options** (three dots) and select **Split Payment.**



4. Add the Recipient's second account and enter the amount.





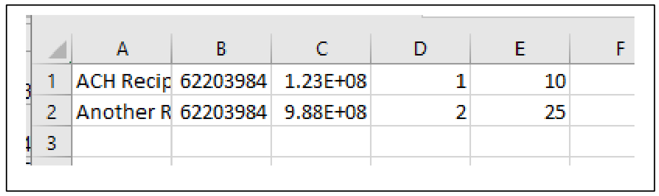
5. Select **Draft** or **Approve,** depending on permissions.

Submitting an Internal ACH File From Imported Data

Two types of files may be imported for internal processing: CSV and NACHA formatted files. This import is different than uploading an ACH Pass Thru file (see page 18). Importing a file for processing extracts the transaction data, often eliminating common formatting and effective date issues.

CSV: The 5-column CSV file must contain the following columns:

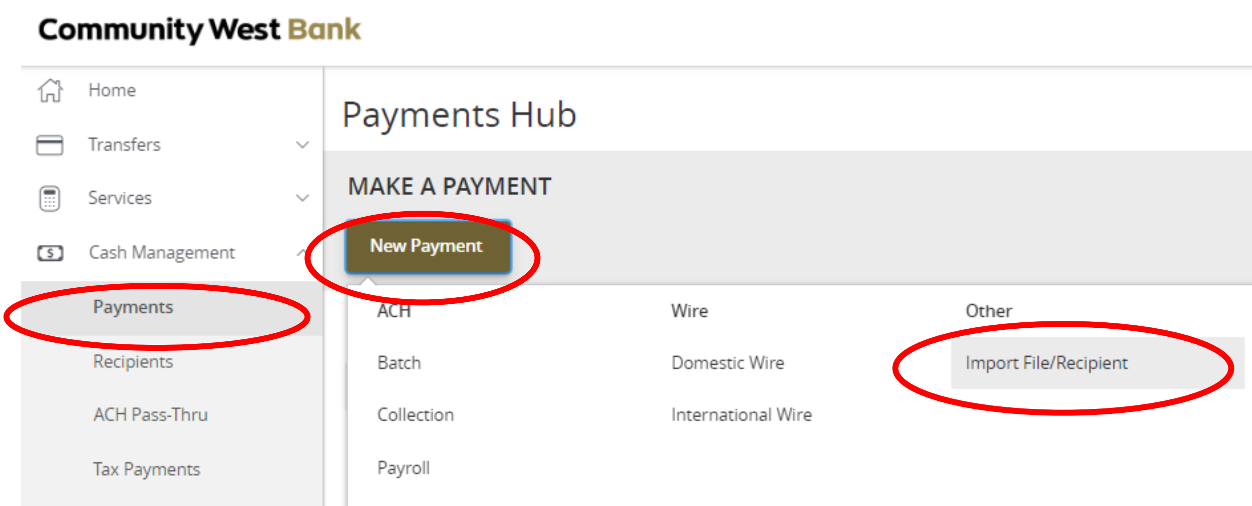
A. Recipient name
B. Routing transit number
C. Account number
D. Account type (1=Checking, 2=Savings)
E. Amount



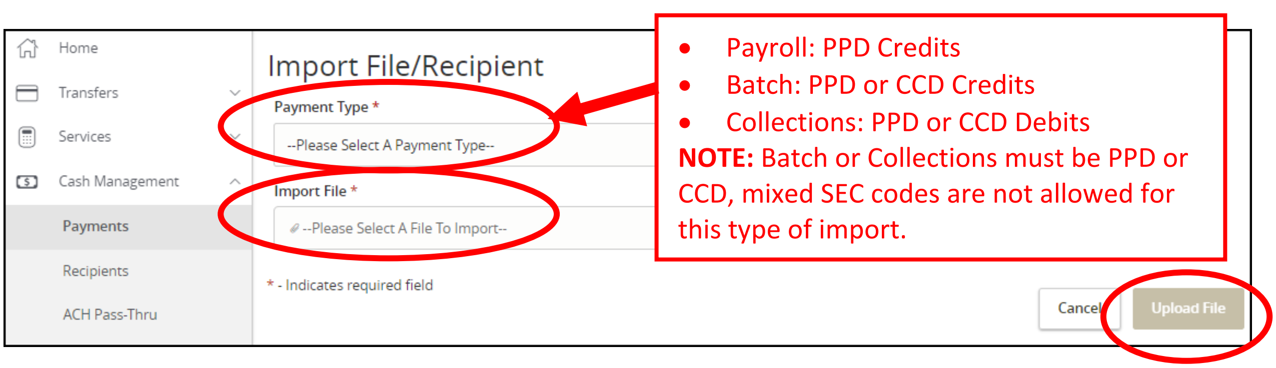
	A	B	C	D	E	F
1	ACH Recip	62203984	1.23E+08	1	10	
2	Another R	62203984	9.88E+08	2	25	
3						

NACHA: Generate a NACHA formatted file from accounting software

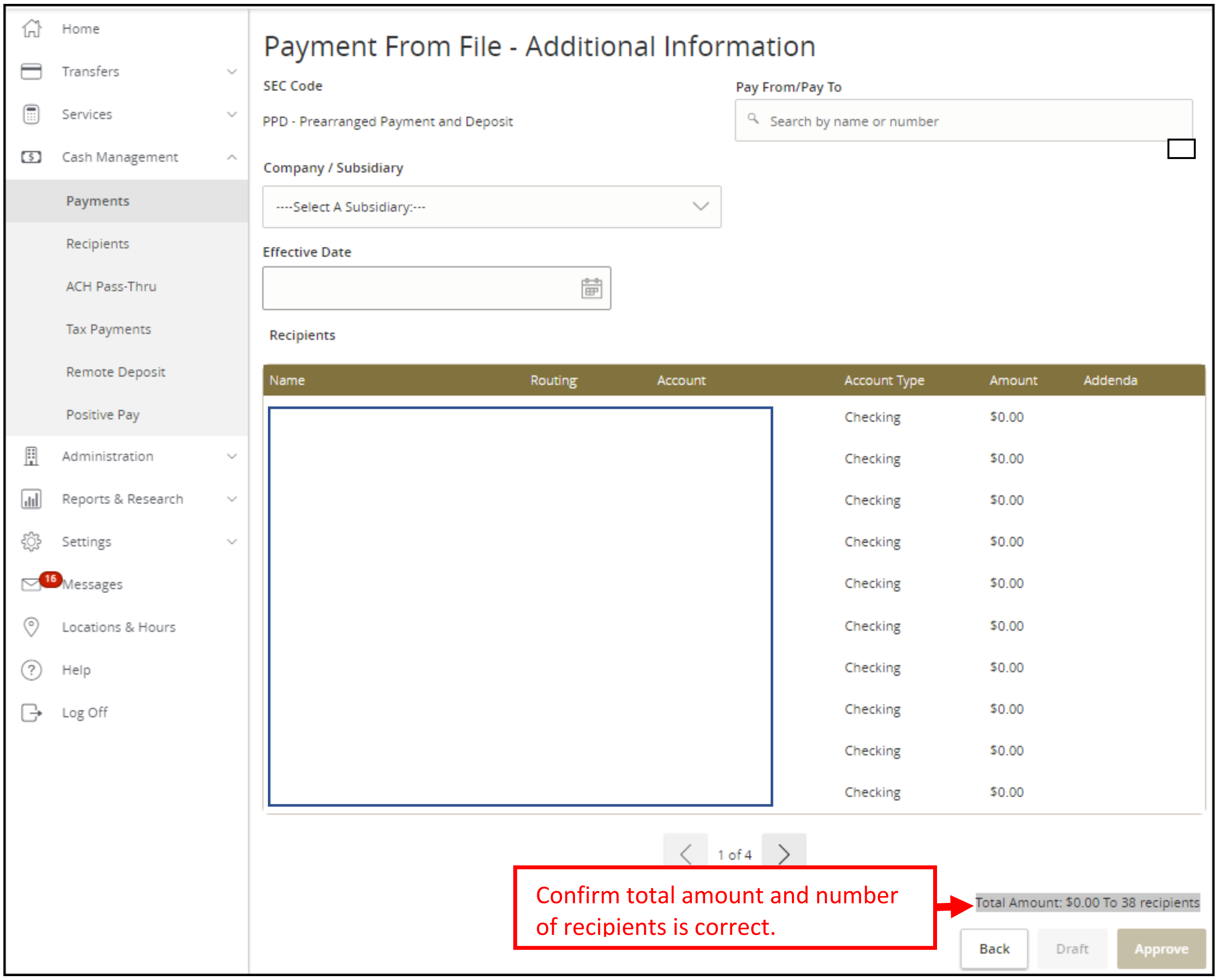
1. From the **Cash Management** menu, select **Payments**, **New Payment** and **Import File/Recipient.**



2. From the **Payment Type**, select the applicable type (see example).
3. From the **Import File**, select the file saved to computer and click **Upload File.**



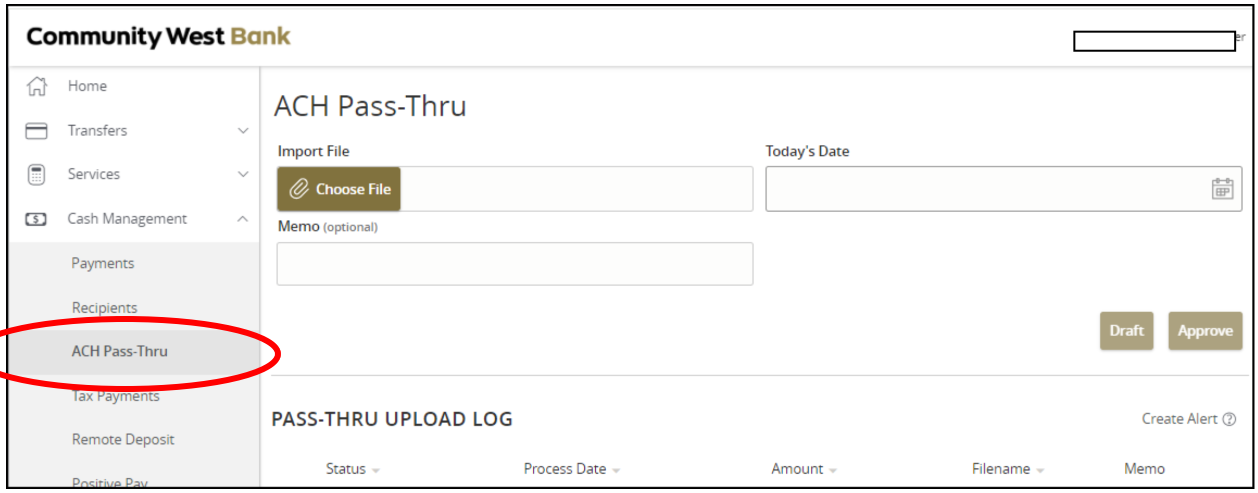
4. Complete the **Pay From/Pay To** account, **Company/Subsidiary** and **Effective Date** fields.
5. Confirm information and select **Draft** or **Approve**, depending on permissions.



Submitting an External ACH File

(If approved for importing from an external software)

1. From the **Cash Management** menu, select **ACH Pass-Thru**.



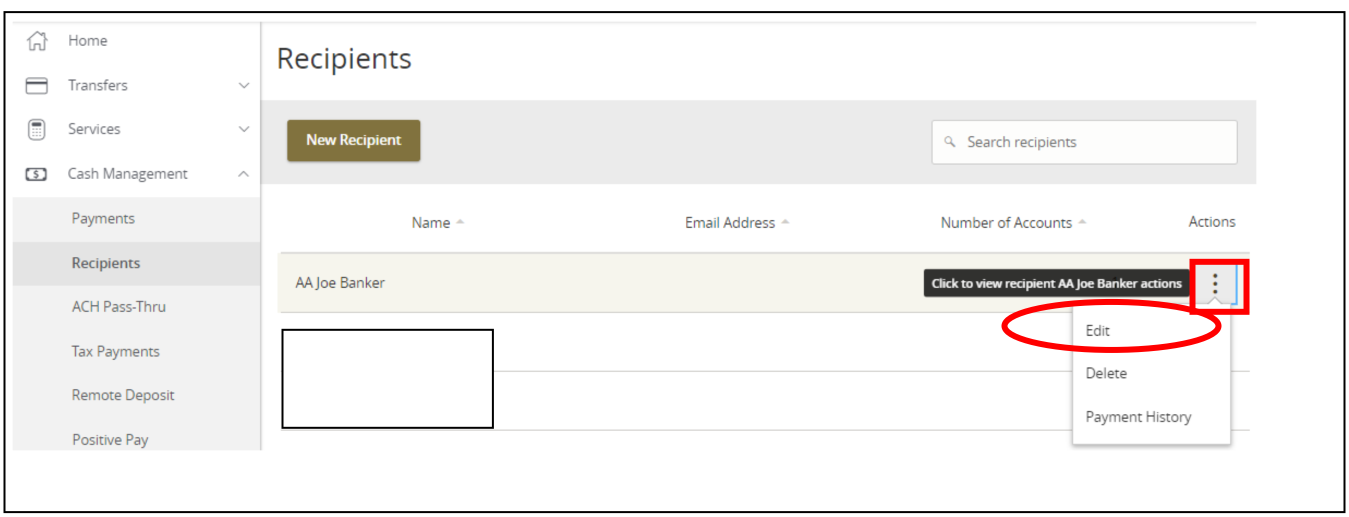
2. Click the **Choose File** field to browse and import the NACHA file.
3. Enter **Today's Date** (date file is being uploaded).

   NOTE: Do <u>not</u> enter the effective date here as this will delay the file being processed.
4. Select **Draft** or **Approve**, depending on permissions.

Performing ACH Recipient Maintenance

Editing an Existing Recipient

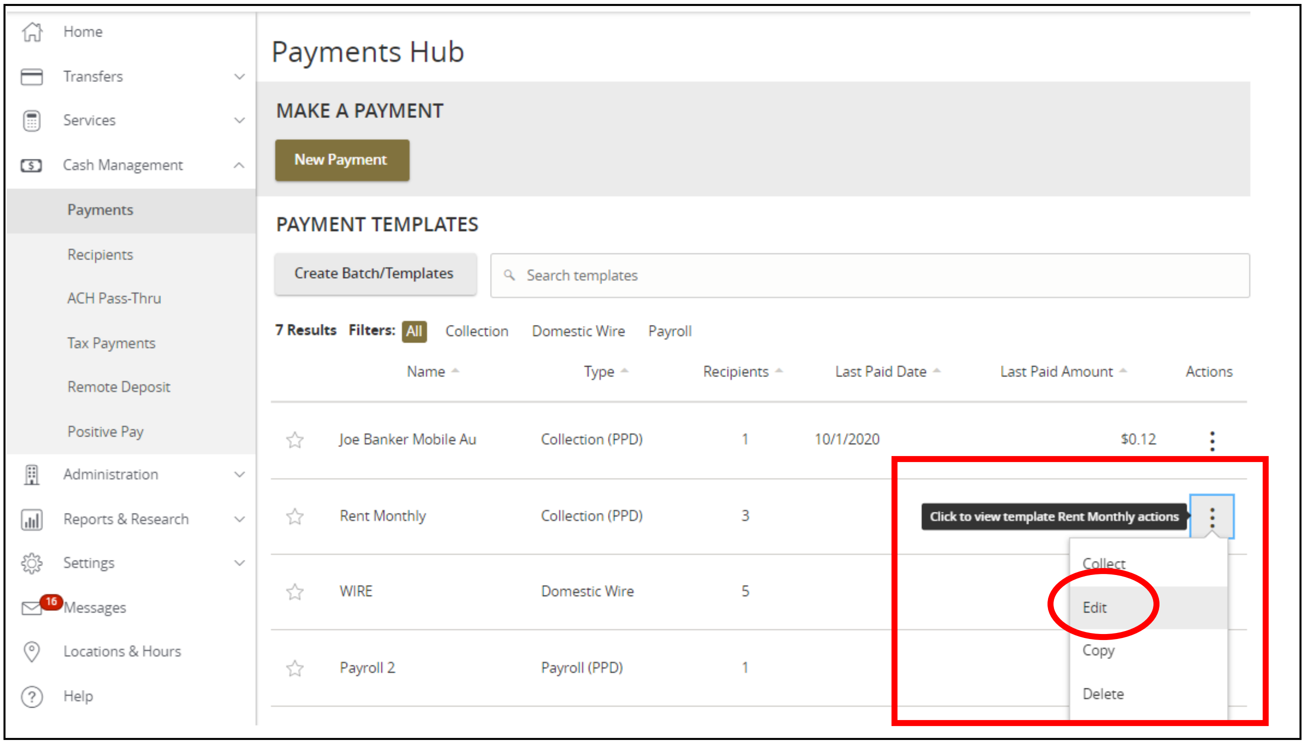
1. From the **Cash Management** menu, select **Recipients.**
2. Select the options (three dots) for the applicable Recipient and click **Edit.**



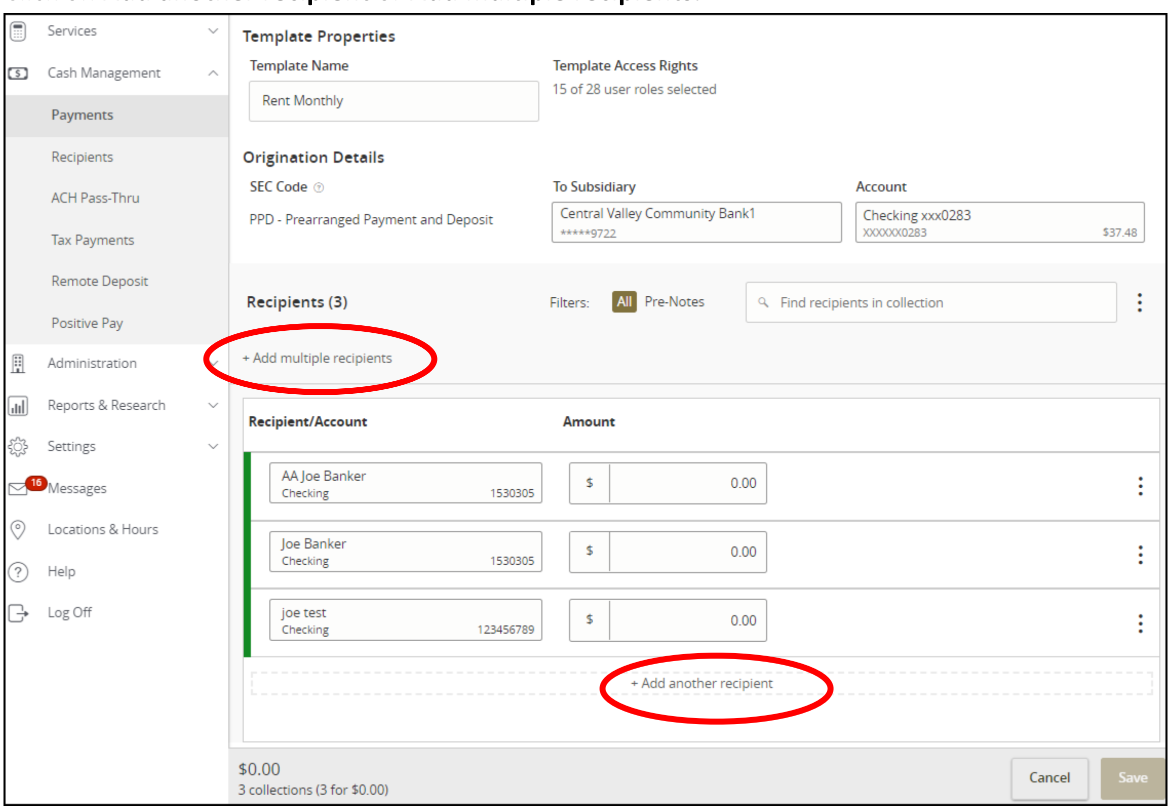
3. Update Recipient information. Remember to send a prenote if there are changes to the account.
4. Select **Save Recipient.**

Adding a Recipient to an Existing Internal File Template

1. Follow earlier steps for **Adding Recipients and Sending Prenotes.**
2. From the **Cash Management** menu, select **Payments.**
3. Click on the options (three dots) for the applicable file template and select **Edit.**



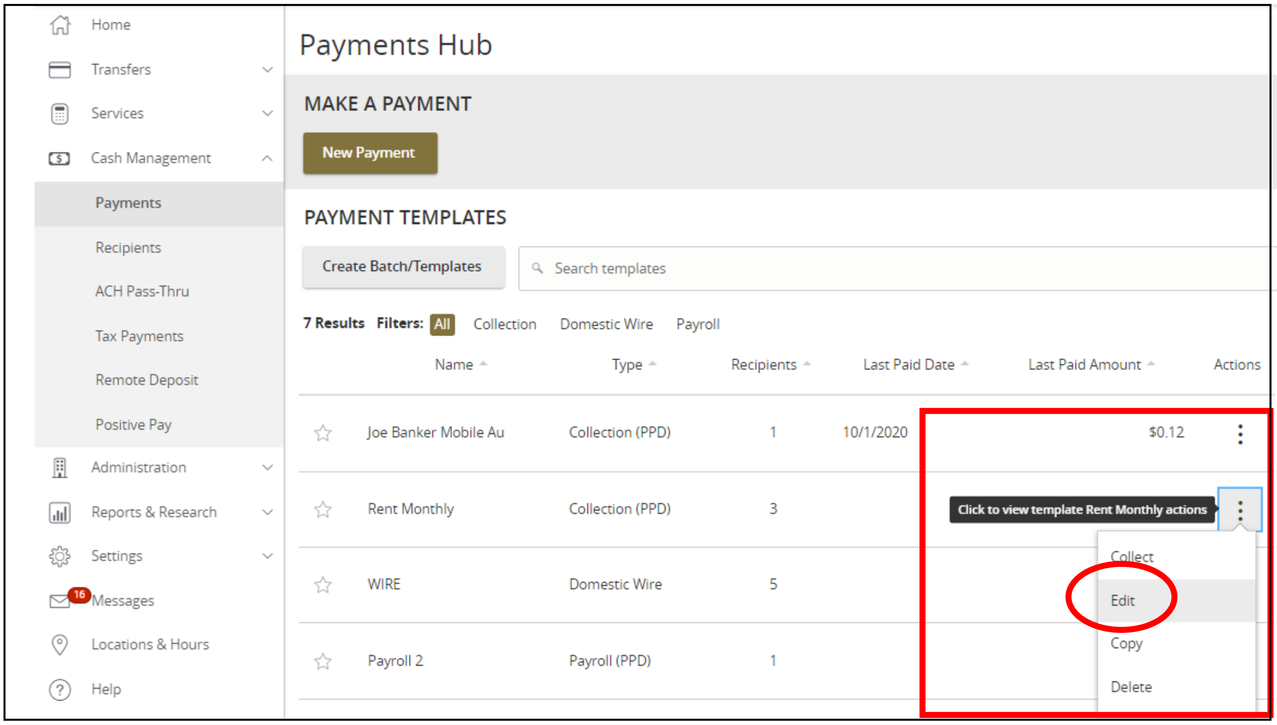
4. Click on **Add another recipient** or **Add multiple recipients.**



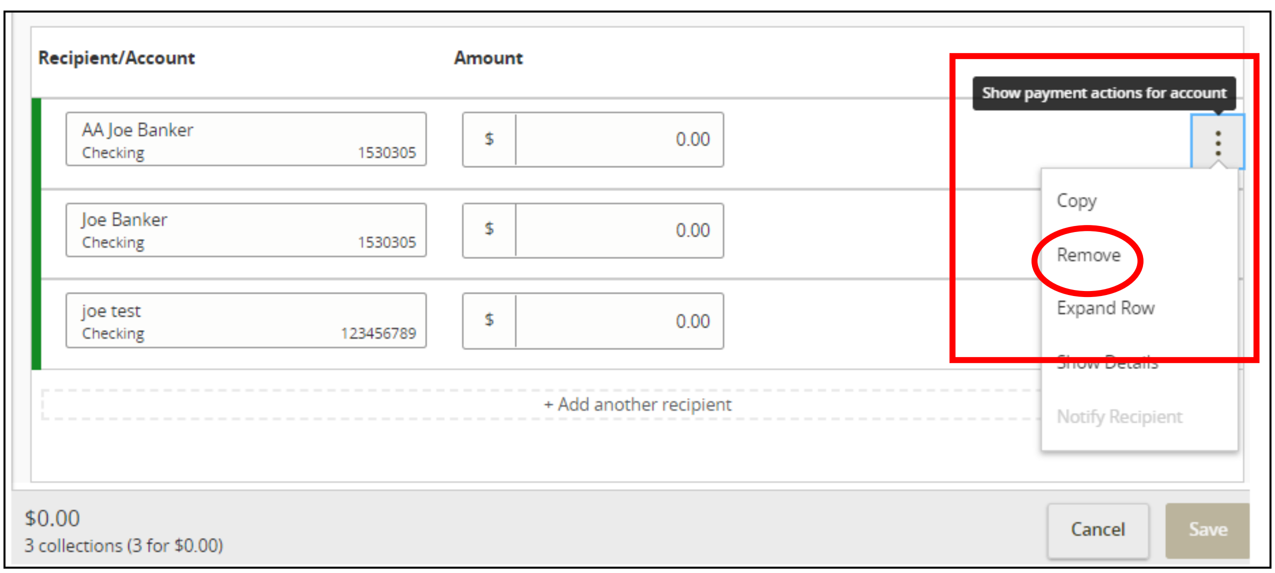
Select **Save.**

Removing a Recipient from an Internal File Template

1. From the **Cash Management** menu, select **Payments.**
2. Click on the options (three dots) for the applicable file template and select **Edit.**



3. Click on the options (three dots) for the applicable Recipient and select **Remove.**



4. Select **Save.**

<u>Notice of Change / Notice of Return</u>

Notice of Change (NOC)

A Notice of Change (NOC) is transmitted by the Receiving Depository Financial Institution (RDFI) if information contained in a posted entry is erroneous and needs to be changed. When receiving a NOC, the correction must be made before transmitting the entry again. NACHA (National Automated Clearing House Association) has strict regulations for handling NOCs, including time frames.

Notice of Return (NOR)

A Notice of Return (NOR) is received when the RDFI is unable to post for reasons defined by specific return codes. You may only attempt to resend a returned entry if the item came back because of either non-sufficient funds (return code R01) or uncollected funds (R09). You may try to resubmit a return item up to two times. After the 2^{nd} attempt you must process that item in a way different than by ACH. Any item returned for a reason other than for non-sufficient funds or uncollected funds cannot be re-sent. NACHA (National Automated Clearing House Association) has strict regulations for handling ACH returns, including time frames.

Notice of Change or Return Delivery

Notices of Change or Return are auto-generated from the Federal Reserve and delivered via encrypted email to the individuals whose email addresses were provided to Cash Management. The encrypted email notices will show coming from “encr_[series of numbers] encryptedmail.achedi.com”. While the series of numbers will change, the rest of the “From” address will be consistent. You may need to check your spam or work with your IT department to ensure the emails are able to be received.

Sample Email:

From: encr_355167481 encryptedmail.achedi.com <notification@achedi.com>
Sent: Thursday, April 15, 2021 1:10 AM
To: [redacted]
Subject: Reports for [redacted] NC from [redacted]

New encrypted email message is available

Open Message

To view the encrypted message, click Open Message.

The encrypted message expires on Jun 14, 2021 @ 08:09 AM (GMT).

Do not reply to this notification message; this message was auto-generated by the sender's security system. To reply to the sender, click Open Message.

If clicking Open Message does not work, copy and paste the link below into your Internet browser address bar.
https://achedi.com/s/e?m=ABAeVeNCCs0un6ZjvoJBvssp&c=ABBdypVOkgWE09Z3FRRyme1Q&em=acct%

Note: See a sample report on the following page.

Sample Report:

11/15/2016 2:30 PM

NOTIFICATION OF CHANGE REPORT

This is to notify you that information for the recipient in a previously sent item has become outdated or is erroneous. Corrected information is provided below, update your files accordingly.

ORIGINATOR OF ITEM

Company Name:
Company Discretionary Data:
Company ID:
Company Descriptive Date:
Company Entry Description:
Originating FI RTN:

ORIGINAL ITEM INFORMATION

Original RDFI ID:
Receiver Account Number:
Individual / ID Number:
Individual / Rcv Co Name*:
Original Trace Number:
Effective Entry Date:

CORRECTED INFORMATION

Change Code:	C02
Change Code Description:	INCORRECT ROUTING NUMBER
Correct Routing Number:	

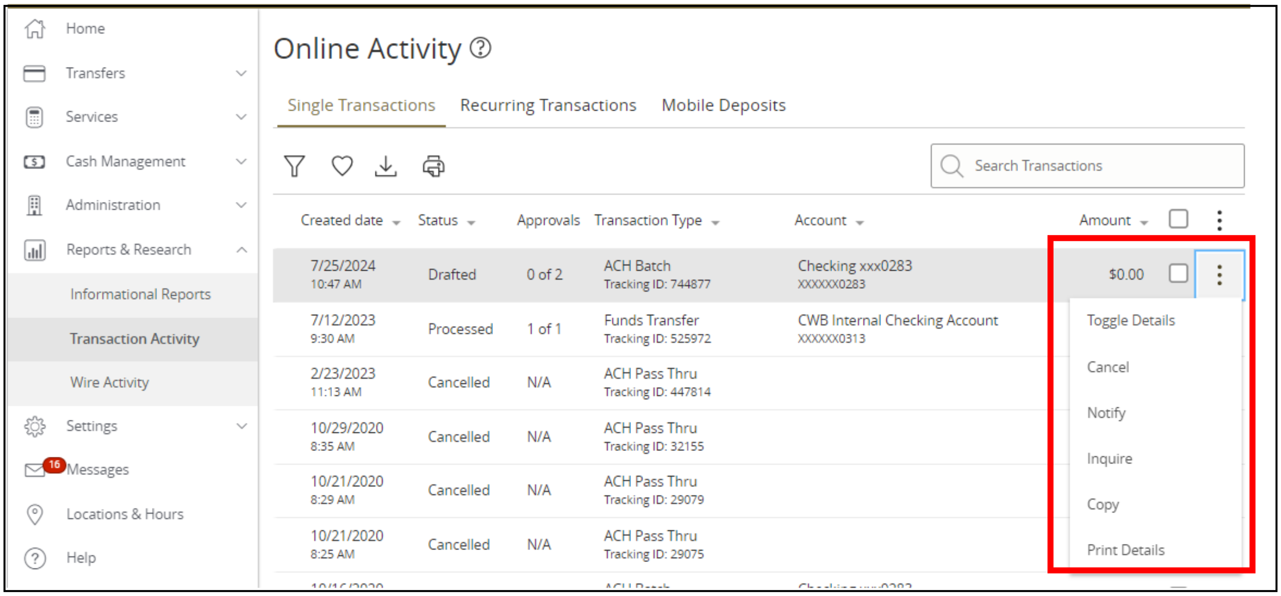
The above data is translated according to NACHA standards. If it does not appear accurate, please contact the financial institution that originated this notification of change. *If the original transaction was a CTX, ENR, or TRX, then the first four characters displayed represent the number of addenda records of the original transaction.

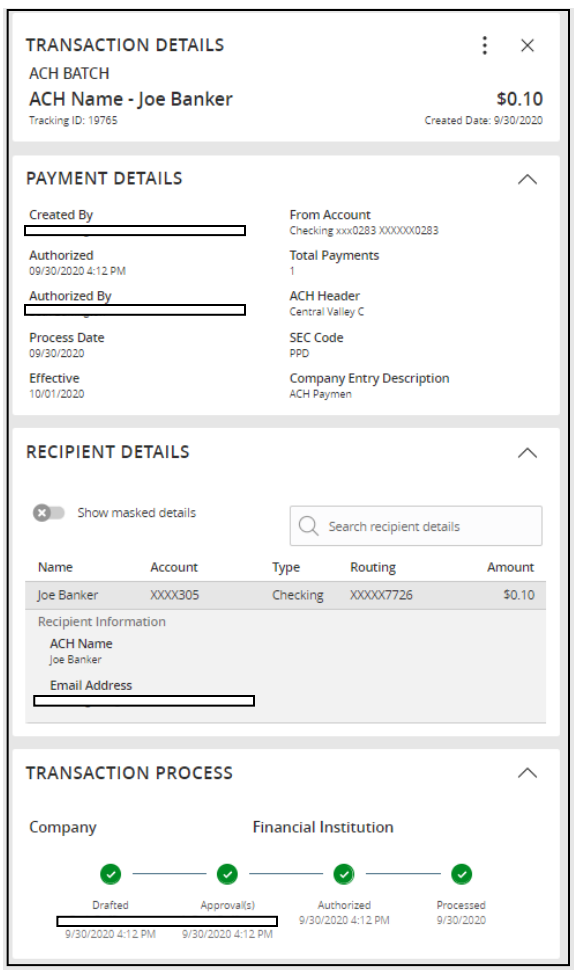
For your information, shown below is the data in its original format as it appeared in the addenda record.

ADDENDA RECORD:

Viewing Status Details

1. From the **Reports & Research** menu, select **Transaction Activity.**
   - Click on the applicable file for details.
   - Click on the options (three dots) for actions (Approve, Cancel, Notify, etc.)





Processing ACH in Dual Control

"Dual Control" may be established to have the ACH file drafted by one person and approved by another. The Approver will be the person authorizing and submitting the file to the bank for processing. For assistance in setting up users for dual control, please contact a Cash Management team specialist.

Establishing Internal Protocols

When processing ACH in dual control (one person drafts, another authorizes) it is important to set up an internal protocol for how the Approver will be notified that a drafted file is ready to be authorized and submitted to the bank for processing. An internal protocol also needs to be established for handling any corrections that may be required before submitting a file to the bank for processing. For example, will the Drafter make the correction and submit a new file for the Approver to authorize or will the Approver cancel the file, make the correction and send the new file (without dual control).

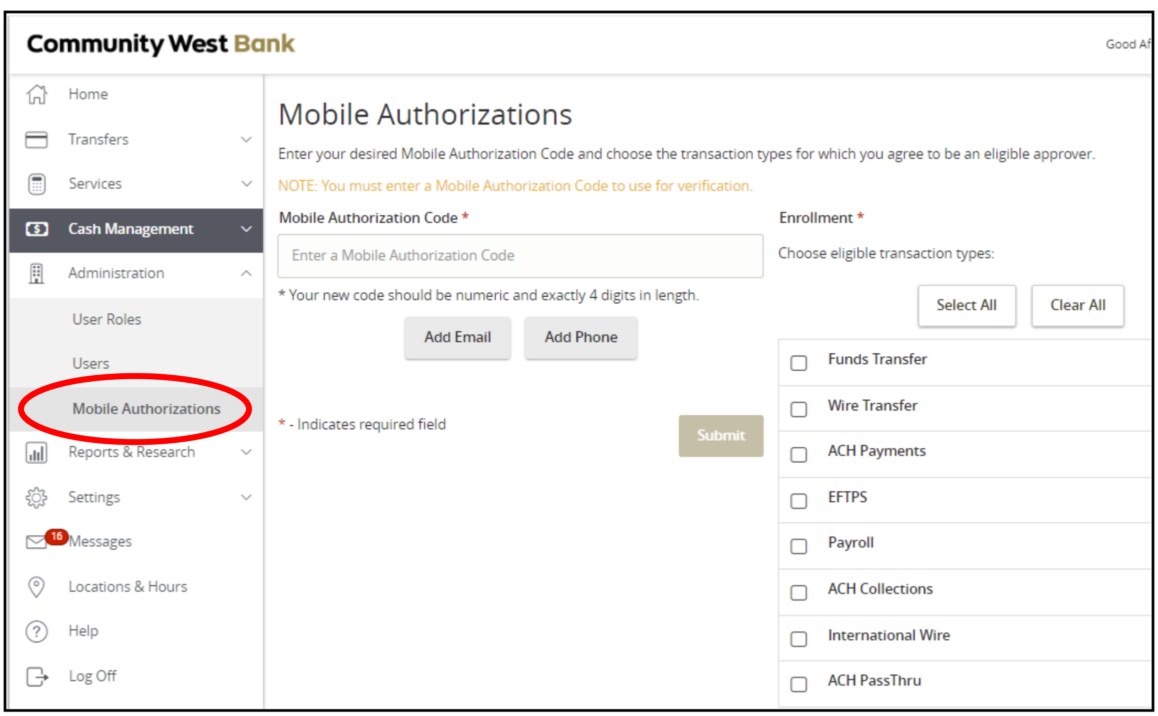
To help with notifying an Approver that a file is ready to be authorized, **Mobile Authorization** may be set up.

*NOTE: If a file is not authorized before the ACH cut-off time, it will stay drafted in **Transaction Activity** until deleted or processed. Depending on the effective date, the file may be Approved from **Transaction Activity** or it may need to be modified before approving and submitting. To modify the effective date, see steps for **Corrections to File** on page 27.*

Mobile Authorization

Users with the appropriate permissions may register a mobile device or phone to receive a notification (via email) and approve a transaction (via phone) drafted by another user.

From the **Administration** menu, select **Mobile Authorizations**, enter a 4-digit authorization code, add the email and/or phone and select which types of transactions are eligible to be approved via phone.



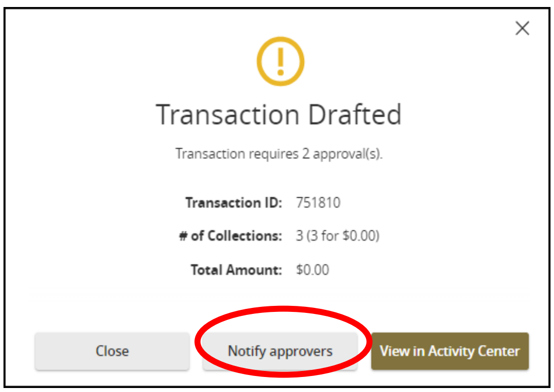
Drafting and Authorizing an ACH File in Dual Control

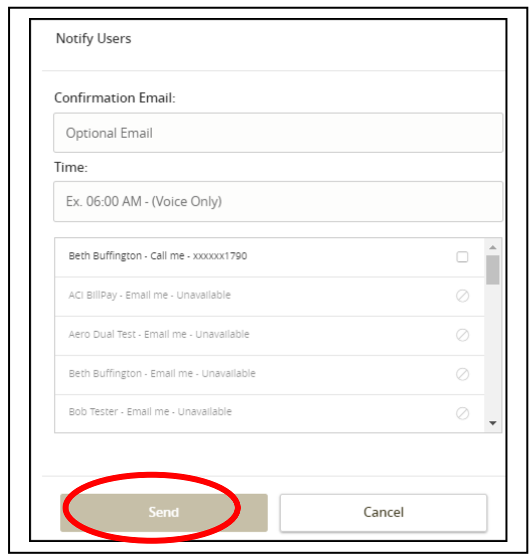
Following are the steps for processing an ACH file in dual control after the file has been created. As a reminder, if the Approver has enabled Mobile Authorizations (in Administration menu) a notification may be sent via email or phone call.

<u>Drafter</u>

1. From the **Cash Management** menu, select **Payments.**
2. Complete the payment transaction.
3. Select **Draft**.

4. Select **Notify approvers.**





5. Select Approver(s) to notify and method of notification.
   - Email = Notification only
   - Phone Call = Automated call, can approve with pre-set Mobile Authorization code

6. Click **Send.**

<u>Approver</u>

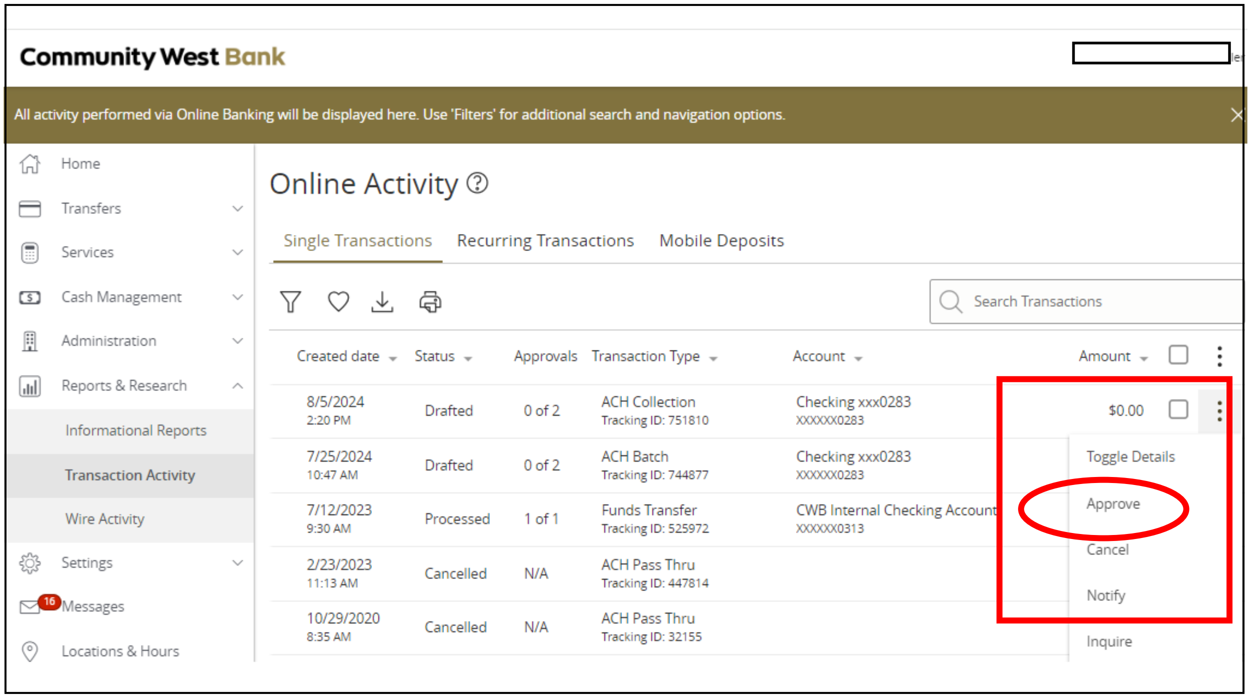
Once the file has been drafted by another user, the Approver needs to authorize and submit the file for processing.

NOTE: Drafted files must be authorized before 4:00 PM one day prior to the Effective Date to ensure processing. <u>Files not authorized before the cutoff will be deleted and will need to be recreated.</u>

Files may be approved from Phone Call notification (using Mobile Authorization code) or from Transaction Activity.

From Transaction Activity

1. From the **Reports & Research** menu, select **Transaction Activity.**
2. Review the drafted file by clicking on the applicable file from the list.
3. To approve the file, click on the options (three dots) and select **Approve.**



4. Select **Confirm** to approve file.

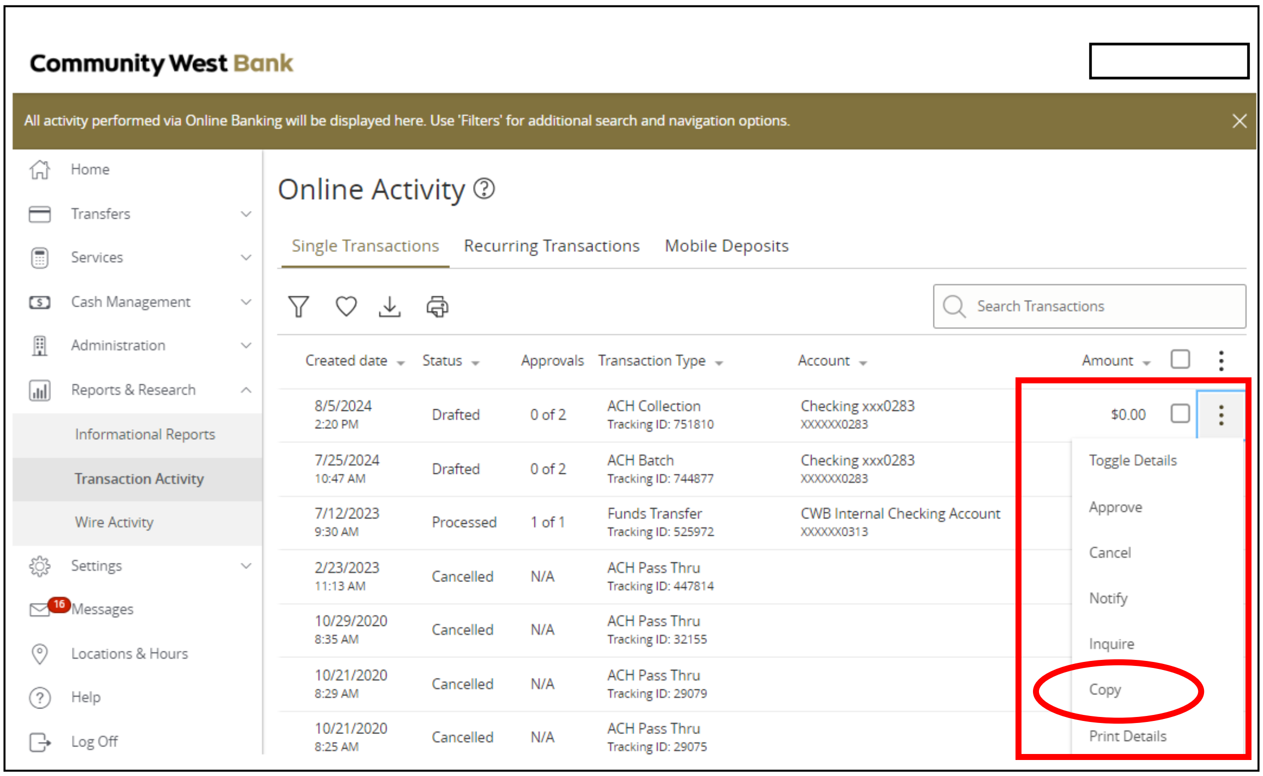
Corrections to File

If, after reviewing a file created by the Drafter, the Approver sees something that needs to be corrected, they should not "Approve" the file.

A file that has been created and submitted by a Drafter is unable to be edited, however it can be copied and updated prior to authorizing.

To copy and update a file that needs to be corrected

1. From **Transaction Activity** (accessed from the **Reports & Research** menu), click the options (three dots) and select **Copy.**



2. Make the applicable updates.
3. Enter the **Effective Date.**
4. Select **Approve.**