

## **Family First Credit Union ACH Operations Policy**

### **General Policy Statement**

The following policy covers Family First Credit Union receipt and initiation of Automated Clearing House (ACH) transactions

### **Guidelines:**

#### **1. PERMITTED ACH TRANSACTIONS**

The Credit Union will act as a receiving depository financial institution (RDFI) for the purpose of receiving ACH credit or debit entries initiated by third parties to members' accounts at the Credit Union. At the discretion of management, the Credit Union may serve as an originating depository financial institution (ODFI) for the purpose of originating ACH debit or credit entries to members' accounts at other financial institutions.

Without approval by the CEO, the Credit Union will not initiate (or agree with a member to initiate) ACH debit or credit entries on behalf of a member to accounts of other parties.

#### **2. COMPLIANCE**

The Credit Union will conduct its ACH activities in compliance with all applicable rules of the National Automated Clearing House Association (NACHA), any applicable regional clearing house association rules, Regulation E, and other applicable federal and state law. The Credit Union will designate an employee responsible for compliance with applicable laws, regulations, and clearing house rules.

#### **3. RISK ASSESSMENT**

The Credit Union will conduct a risk assessment of its ACH activities, implement risk management programs based on the results of such assessments, and comply with regulatory requirements concerning the assessment and risk management program. The assessment will stress the importance of the following:

- A. The nature of risks associated with ACH activity;
- B. Performing appropriate member due diligence;
- C. Establishing controls for Originators, third parties and direct-access to ACH Operator relationships; and

- D. Having adequate management, information, and reporting systems to monitor and mitigate risk.

#### **4. CREDIT UNION AS ORIGINATING DEPOSITORY INSTITUTION (ODFI) – RISK MANAGEMENT PRACTICES.**

##### **A. Risk Management Practices**

The Credit Union will perform a more comprehensive set of risk management practices in addition to the current rules on exposure limits. Specifically, the Credit Union will do the following:

- 1) Perform due diligence with respect to Originators and Third-Party Senders sufficient to form a belief that the party can perform its obligation in conformance with the NACHA Rules;
- 2) Assess the nature of the Originator's or Third-Party Sender's activity and the risks it presents; and
- 3) Establish procedures to do the following:
  - a. Monitor the Originator's or Third-Party Sender's origination and return activity, relative to its exposure limit, across multiple settlement dates;
  - b. Enforce the exposure limit; and
  - c. Enforce restrictions on the types of ACH transactions that may be originated.

##### **B. Agreements with Originators**

The Credit Union as ODFI will ensure that each agreement with an Originator that is entered, renewed or extended, and that provides for authorization of ACH transactions will expressly address the following:

- 1) Any restrictions on the types of ACH transactions that may be originated;
- 2) The right of the ODFI to terminate or suspend the agreement for breach of the NACHA Rules, upon at least ten (10) business days' notice, in a manner that permits the ODFI to comply with the Rules; and
- 3) The right of the ODFI to audit the Originator's compliance with the agreement and the NACHA Rules.

**C. Agreements with Third-Party Senders**

The Credit Union as ODFI will ensure that each agreement with a Third-Party Sender that is entered, renewed or extended, and that provides for authorization of ACH transactions will expressly address the following:

- 1) Any restrictions on the types of ACH transactions that may be originated;
- 2) The right of the ODFI to terminate or suspend the agreement for breach of the NACHA Rules, upon at least ten (10) business days' notice, in a manner that permits the ODFI to comply with the Rules; and
- 3) The right of the ODFI to audit the Third-Party Sender and its Originator's compliance with the agreement and the NACHA Rules.

**D. Exposure Limits**

When the Credit Union as ODFI receives an entry that has been sent or transmitted directly by an Originator that is **not** a natural person or by a Third-Party Sender, the Credit Union will ensure that it has done the following:

- 1) Performed due diligence with respect to such Originator or Third-Party Sender sufficient to form a reasonable belief that such Originator or Third-Party Sender has the capacity to perform its obligations in conformance with the NACHA Rules;
- 2) Assessed the nature of the Originator's or Third-Party Sender's ACH activity and the risks it presents;
- 3) Established an exposure limit for the Originator or Third-Party Sender; and
- 4) Established procedures to monitor the Originator's or Third-Party Sender's origination and return activity across multiple settlement dates, enforce restrictions on the types of ACH transactions that may be originated and enforce the exposure limit.

**E. Registration**

The Credit Union will register Third-Party senders with NACHA within 30 days of transmitting the first entry on behalf of the Third-Party Sender. The Credit Union will also:

- 1) Update the registration within 45 days following any change.

- 2) Comply with providing supplemental registration information when requested by NACHA.
- 3) If applicable, register with NACHA to indicate no Third-Party Senders.

## **5. Audit**

As required by NACHA Rules, the Supervisory Committee shall arrange (either internally or through a qualified auditor) to conduct an annual audit of the Credit Union's ACH operations to review compliance with the NACHA rules. The audit must be performed by Dec. 1st of each year. The credit union shall retain the audit report and supporting materials for six years from the date of the audit.

Family First Credit Union will retain the following records as follows:

- |                                |         |
|--------------------------------|---------|
| ➤ Exception Reports            | 1 year  |
| ➤ Notice of Change (NOC's)     | 6 years |
| ➤ Daily Returns (Fedline)      | 6 years |
| ➤ Affidavits                   | 2 years |
| ➤ Stop payments                | 2 years |
| ➤ Emailed Authorization Notice | 2 years |
| ➤ Authorization Agreement      | 2 years |

## **6. RECEIVING ACH ENTRIES.**

- A.** As a receiving depository financial institution (RDFI), the Credit Union will accept all types of ACH entries and pre-notifications.
- B.** The Credit Union will act in a timely manner on all ACH entries received. When a pre-notification is improper, the Credit Union shall return it in accordance with the applicable rules and procedures. All credit entries shall be made available to the member on the date of settlement.
- C.** The Credit Union will accept eligible Same Day ACH credits and debits assuming the file is submitted by the appropriate deadline and has the current processing day. Same Day ACH credits will be made available to the member to satisfy other subsequent debit entries against the account the same day received, by 5:00 pm local time for the Credit Union. Same Day ACH debits will also be processed on their settlement date, by 5:00 pm local time for the Credit Union.  
Exception:

- D.** The Credit Union will include on its periodic statements a description of any ACH entries received on an account, including the identity of the originator, entry description, and amount. The Credit Union will provide a telephone number for members to call to verify whether an ACH entry has been received and will include this number in the Credit Union's electronic funds transfer disclosures and on the periodic statement.
- E.** The Credit Union will ensure that any return entries are submitted to the Credit Union's ACH operator in time for the return entry to be made to the ODFI by no later than the beginning of the second banking day after the settlement date of the original entry. The Credit Union may also return eligible entries for same day processing, regardless of whether the forward transaction is the same-day transaction.
- F.** The Credit Union will obtain an appropriate affidavit before initiating returns due to member claims of unauthorized or improper entries.
- G.** The Credit Union will, upon the request of the member receiving health care EFT transactions, provide all information contained within the Payment Related Information field of the CCD Addenda Record.
- H. Receiving International ACH Transactions (IATs).** The Credit Union may **not** refuse to receive IAT entries but may refuse individual IATs for specific reasons outlined in the ACH Rules.
  - 1) **OFAC Compliance.** Prior to posting, the Credit Union will ensure that it screens all IATs according to the Credit Union's Office of Foreign Assets Control (OFAC) policy. Any OFAC matches that are verified will be handled according to OFAC regulations outlined in the Credit Union's OFAC policy.

## **7. Origination Objective**

As an originating depository financial institution (ODFI), the intent of Family First Credit Union is to reduce and collect loan deficiencies and overdrawn accounts through automated processing. As an ODFI, Family First Credit Union will provide ACH origination as an additional payment option to its members.

## **8. ORIGINATING ACH ENTRIES**

A. The Credit Union currently does not originate IATs.

### **E. Health Care Claim Payments.**

The Credit Union does not originate health claim payments.

## **9. UNLAWFUL INTERNET GAMBLING**

The Credit Union currently does not offer business accounts.