

Family First Credit Union

ACH Policy

Policy Statement

Family First Credit Union acts as a receiving depository financial institution (RDFI) and an originating depository financial institution (ODFI) for electronic payments made through the Automated Clearing House (ACH) network. ACH transactions consist of both credit transfers (distribution of funds) and debit transfers (collection of funds). Family First Credit Union has contracted with third-party service providers to act as an intermediary between the Family First Credit Union and the Federal Reserve Bank (FRB) for receipt and origination of ACH transactions. Family First Credit Union processes its' returns with the use of its third-party provider. Family First Credit Union may also use the Federal Reserve Bank (FRB). Although Family First Credit Union does not directly initiate any ACH or electronic transactions from the FRB, Family First Credit Union is subject to all the rules and regulations outlined by NACHA.

All ACH transactions received or initiated by Family First Credit Union shall be administered in strict compliance with all applicable federal and state regulations, the NACHA operating rules and the rules of the local association, Georgia Automated Clearing House Association (GACHA).

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.

Audit

Per NACHA rules, an audit of Family First Credit Union will be performed by a professional outside auditor. The audit must be performed by Dec. 1st of each year.

Risk Assessment

Family First Credit Union will review and update its Risk Assessment Policy annually to address any new risk opposed to the credit union.

Training

The ACH Administrator monitors the process of the daily ACH Exception reports. Two additional employees are trained in ACH processing, serving as back up if needed.

The Branch personnel are trained to handle general questions about ACH credits and debits to members' accounts. They are also trained in completing direct deposit forms and stop payment forms. The ACH Administrator handles all ACH affidavits and stop

payments. The ACH Administrator is responsible for notifying these employees of updates to procedures.

The ACH Administrator is required to attend at least one ACH seminar given by GACHA annually. These include, but are not limited to, Basic ACH Training, ACH Rule and Regulation changes, And Government Payments. Each employee involved with the ACH Process is trained on updates by the ACH Administrator.

Emails, faxes, and flyers received from GACHA are handled by the ACH Administrator.

Reporting Requirements, Accountability and Security

The ACH Administrator will report any significant changes made in ACH requirements and the impact these changes have on the Credit Union to management. The report includes security problems, compliance issues, system processing, and staffing concerns.

A current contact list of all employees knowledgeable in the ACH processing at the Credit Union is kept on file. Upon notification of a resignation or termination of an employee involved in the ACH processing, the employee will be re-assigned to other tasks that do not allow access to any ACH transactions until the last day of service. All security levels on the computer, which allow access to ACH information, should be terminated immediately. Any third-party password should be changed and access removed.

Contingency Plan and Disaster Recovery

Family First Credit Union does not process or maintain any ACH files. Galaxy processes all receiving ACH files. Contingency plans for ACH procedures are included in the Galaxy's Disaster Contingency Plan.

Record Retention

ACH records are stored by Galaxy. These records may be accessed via internet through Galaxy's Document Management System (DMS). These records are stored indefinitely.

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

Acceptance of Entries

Family First Credit Union will accept all debit and credit ACH transactions as required under the ACH Rules including the acceptance of destroyed check entries bearing the standard entry class code XCK. Family First reserves the right to refuse XCK entries if the ODFI cannot provide a check copy if requested by the account holder, or if other difficulties occur in obtaining entry information.

Exception Item Processing for Receiving

When receiving items that do not post to Family First Credit Union system (rejects), Family First Credit Union will return these transaction (after pay decisions are made) no later than one day after receiving the unposted item. Family First Credit Union has a deadline to get the returned item back to the Originating Depository Financial Institution (ODFI) through the Federal Reserve Bank no later than the opening business on the second banking day following the Settlement Date of the original entry.

Re-initiation of Returned ACH Transactions

Family First Credit Union will not reinitiate an ACH entry that has been returned unless the entry has been returned for insufficient or uncollected funds and reinitiated within 180 days of the settlement date of the original entry. If the ACH entry is returned for other reasons not listed above, Family First Credit Union will contact the receiver.

Notification of Change (NOC)

When a pre-note or dollar entry is received containing invalid account information, we may either return the entry or accept the entry and send the correct account information back to the Originator, through the ODFI. In order to protect the security of our customers and limit our liability, it is our policy to return all invalid entries and not send a Notification of Change (NOC). Exceptions may be made for Direct Deposit transactions. Family First Credit Union will contact the members in writing informing the member of the use of an invalid account number for ACH processing. The letter will instruct the member to contact the Originator to correct the account information. In the event that there is an exception, the NOC will be sent under dual control with both parties initialing that they both have verified the account information and it is correct to the best of their knowledge.

Processing Federal Payments

Notice of Closing of Accounts Receiving Government Payments

In the event that Family First Credit Union decides to close an account (i.e. due to undesirable activities), and such account holder receives government benefit payments, Family First Credit Union will notify the account holder of its intent to close the account at least 30 days in advance, as required by federal code.

Death of Government Payment Beneficiaries

Family First Credit Union will investigate all federal government payments received after the knowledge of the death of a recipient in order to limit the financial institution's liability. Employees responsible for processing ACH exception will determine if deposits have posted since notification of death and return them as required. All reclamations received will be forwarded to the appropriate personnel to flag the account so that future payments are not accepted. If the full amount is not available, a hold will be place on the remainder funds and Family First Credit Union will contact the source of deposit to get further instruction on how to proceed with the remaining funds. Beneficiaries of the account will be encouraged to close the account or reopen with only their name within 30 days of death notification.

NOTE: FAMILY FIRST CREDIT UNION LIABILITY IS INCREASED UPON ITS RECEIPT OF THE NOTICE OF DEATH OF A GOVERNMENT BENEFICIARY OR REPRESENTATIVE PAYEE. THE DATE OF NOTICE OF DEATH IS PROVIDED ON RECLAMATION.

Reconciliation

General Ledger (GL) accounts for ACH Clearing and ACH Received provides detail of all ACH activity. These ACH clearing general ledger accounts are monitored daily to verify that the GL accounts balance based on daily transactions performed.

Daily entries into the accounts include:

- ACH debits and credits from FED ACH settlement activity settled through the Catalyst Corp. Account
- ACH debits and credits to individual member accounts from daily exception reports
- Originated activity (returns)

IAT

International ACH Transactions- an ACH entry that is part of a payment transaction involving a financial agency's office that is not located in the territorial jurisdiction of the United States.

Family First Credit Union must accept IAT transactions and cannot return the items because they are IAT entries.

Identifying IAT Transactions

IAT Transactions can be found on 3 different reports.

- ACH Transmission Journal – When the IAT information has been written.
- ACH Exception Report – All IAT posted item will appear in a special section of the exception report.
- During File Maintenance of ACH Returns.

Processing IAT Transactions

Family First Credit Union is responsible for manually checking all incoming IAT Transactions through OFAC. The items will appear on the exception report with a message of OFAC CHECK NEEDED.

Family First Credit Union will freeze suspect transactions and follow their written OFAC Procedures to verify if the hit is a false positive or needs to be reported to OFAC. No funds will be made available to member account prior to OFAC scanning.

Processing Collection Payments

Family First Credit Union is responsible for manually entering and submitting collection payments. Family First Credit Union accepts telephone payments in which a member calls-in to make a payment and the credit union sends an email receipt. The credit union also will process recurring payments with the completion of a written authorization form by the member.

ACH Processors

- ACH Administrator
- Accounting Specialist
- Operations Manager
- Member Solutions Manager
- Member Solutions Specialist
- Compliance Officer

In General, to assure the credit union's compliance with NACHA Operating Rules and Guidelines, all of the officers of the Board will review the policy for ACH on an annual basis. The ACH Administrator will ensure proper training is provided to the credit union staff as needed.

Adopted _____

Reviewed _____

Date _____