

Family First Credit Union ACH Management Policy

General Policy Statement

This policy covers the management's responsibilities concerning the activities and procedures of the Family First Credit Union's automated clearing house (ACH) operations. The Credit Union will comply with all NACHA Operating rules, OFAC sanctions, the Green Book, Federal, and State laws and regulations, Uniform Commercial Code Article 4A, and other related requirements.

Guidelines:

1. **IMPLEMENTATION.** The Board of Directors will review and approve the implementation of the Credit Union's ACH Management policy. All of the Credit Union's ACH activities will comply with this policy. Without approval by the Board of Directors, 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 for other parties.
2. **PROCESSING DAYS.**
 - A. Family First Credit Union is not an In-House processor and relies on its core processor (CUnify) and Catalyst Corporate Credit Union to process ACH transactions for the Credit Union as an RDFI and ODFI.
 - B. ACH credit entries will be made available for withdrawal no later than the Settlement Date (even if "non-processing" day) of the entry.
 - C. Eligible ACH Same-Day credit entries will be made available to the member the same day received, to satisfy other subsequent debit entries against the account by 1:30 p.m. local time for the Credit Union if processed in the first processing window, or 5:00 p.m. local time for the Credit Union if processed in the second processing window.
 - D. Eligible ACH Same Day debit entries will be processed the same day received, by 5:00 p.m. local time for the Credit Union.
 - E. ACH debit transactions having a non-processing day Settlement Date will be posted on the next business day. The Credit Union will disclose non-processing days to Originators and on an annual basis will provide them with a calendar, identifying non-processing days for that year.

- F. The Credit Union will process/post ACH entries on the next possible processing day when the Settlement Dates conflict with disclosed non-processing days.

3. **ACH CONSUMER TRANSACTIONS.**

- A. **Acceptance of ACH Entries.** The Credit Union will accept all debit and credit ACH transactions with the following exceptions:

- i. Destroyed Check Entries, which bear Standard Entry Class Code XCK, will be accepted. The Credit Union reserves the right to refuse XCK entries if the originating depository financial institution (ODFI) cannot produce a check copy if requested by the account owner, or if other difficulties occur in obtaining entry information.
- ii. The Credit Union will affect refusal by returning an "XCK" entry within sixty days of the Settlement Date, using Return Reason Code R33 ("Return of XCK Entry").
- iii. The Credit Union will honor requests by ODFIs to return entries when entries are identified as erroneous and meet all the following conditions:
 - 1. The entry return will not cause an overdraft on the member's account;
 - 2. The ODFI has positively identified itself and provides written documentation of its request for the return;
 - 3. The request is received within at least five days of the Settlement Date; and
 - 4. The return does not interfere with any credit union actions.

- B. **Same-Day ACH.** The Credit Union will accept eligible same day ACH credits and debits, provided the file is submitted by the appropriate deadline. The Credit Union as RDFI can rely on the Settlement Date of entry, regardless of the Effective Entry Date. An Entry with a stale or invalid Effective Entry Date will also be a Same-Day Entry if it is transmitted by the ACH Operator's deadline for same-day processing and settlement. International ACH transactions or transactions over \$100,000 are not eligible for same day ACH.

- C. **Regulation E Disclosures.** The Credit Union will comply with the disclosure requirements of Federal Regulation E, as those disclosure

requirements are impacted by the Credit Union's ACH operations.

- D. **OFAC Compliance.** The Credit Union will ensure that it screens all domestic and international (IAT) ACH transactions 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.
- E. **Unlawful Internet Gambling.** The Credit Union will follow the guidance of the Credit Union's Unlawful Internet Gambling Policy regarding ACH Management.
- F. **Stop Payment of ACH Entries.** The Credit Union's employees will use procedures to inform members of the difference between requests for "Stop Payment" of ACH entries and requests for the return of payments which are unauthorized because of either (1) revocation of a once valid authorization, (2) notice by the member that a valid authorization was not given for the payment(s) specified, or (3) improper electronic check entries.
 - i. A stop payment order obtained verbally will be binding for fourteen (14) days.
 - ii. A signed stop payment order will remain in effect until the earlier of:
 - 1. The withdrawal of the stop payment order by the Receiver; or
 - 2. The return of the debit entry, or, where a stop payment order is applied to more than one debit entry under a specific authorization involving a specific Originator, the return of all such debit entries.
- G. **Written Statements of Unauthorized Debit (WSUD).** The Credit Union will require a signed written statement from the member before returning an entry that the member claim is unauthorized or for which the authorization has been revoked or for an improper electronic check entry. The Credit Union will make the WSUD available to the ODFI within 10 business days of a written request.

The Credit Union will retain the written statement for six years following the return. In the case of unauthorized debit entries, the Credit Union will provide provisional credit to the member, if the member has notified the

Credit Union according to procedures disclosed in the "Error Resolution Notice."

- H. **Government Benefit Payments.** The Credit Union will not initiate "Automated Enrollment" (ENR) Entries to transmit information to enroll government benefit recipients for Direct Deposit for participating government agencies. If the Credit Union decides to close any account that receives government benefit payments, the Credit Union will notify the account owner of its intent at least thirty (30) days in advance. The Credit Union will **not** give advance notice if the Credit Union suspects fraudulent activity on the account. The Credit Union will document its suspicions. If the Credit Union knows the death of a federal government payment recipient or the incapacity of a representative payee, the Credit Union will investigate the matter to limit the Credit Union's liability.
4. **RETURN OF ACH ENTRIES.** The Credit Union will return ACH entries so that they will be available to the ODFI no later than the beginning of business on the second banking day following the Settlement Date of the original entry, except for return entries processed the same day, or consumer entries returned revoked or unauthorized. The Credit Union may return eligible entries for same-day processing regardless of whether the forward transaction is the same-day transaction. Those returns must be received before 4:00 p.m. ET to be eligible for same-day settlement.
5. **ORIGINATION OF ACH ENTRIES.** As an ODFI, the Credit Union may offer the following ACH service products to its customers: Loan and Share accounts payments and deficiency balances.
- The Credit Union may offer Same-Day origination to members for eligible credit and debit transactions.
6. **PROCESSING SCHEDULES.** The Credit Union will require Originators to provide an annual schedule identifying the effective and delivery dates of all files it intends to process for each ACH application. The Credit Union will consolidate all Originators' processing schedules to create an annual ACH processing calendar. The calendar will be reviewed for conflicts between planned effective or processing dates and the Credit Union/or Federal Reserve Bank holidays or non-processing days. Exceptions will be reported to Originators so that schedules may be adjusted.

7. **RECEIVING HEALTH CARE EFT TRANSACTIONS.** 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.
8. **REINITIATION OF RETURNED ACH TRANSACTIONS.** An ACH entry that has been returned may not be reinitiated unless (1) the entry has been returned for insufficient or uncollected funds; or (2) the entry has been returned for stopped payment and re-initiation has been authorized by the Receiver; or (3) the ODFI has taken corrective action to remedy the reason for the return. The Credit Union may automatically reinitiate ACH entries returned for reason of insufficient or uncollected funds.
9. **ACH OPERATOR.** The Credit Union uses Federal Reserve Bank as its ACH Operator
10. **ACH RISK ASSESSMENT.** The Credit Union will perform an ACH risk assessment according to its ACH Operations policy.
11. **ACH SECURITY FRAMEWORK.** The Credit Union will provide data security measures for member's non-public personal information initiated, processed, or stored in the ACH Network according to the ACH Security Framework requirements of the NACHA Rules. These measures will include:
 - A. Protecting the confidentiality and integrity of member's non-public personal information;
 - B. Protecting against anticipated threats or hazards to the security or integrity of member's non-public personal information; and
 - C. Protecting against unauthorized use of member's non-public personal information that could result in harm to a member.
12. **ACH AUDIT.** Per NACHA rules, and audit of Family First Credit Union ACH operations will be performed by a professional outside auditor. The audit must be performed by Dec. 31st of each year.
13. **ACH EDUCATION AND TRAINING.** To maintain compliance under the various regulatory sources for ACH services, the Credit Union will implement external training. The Credit Union will assign specific responsibilities for ACH receipt and origination functions to the following designated personnel:
 - Operations Manager
 - Accounting Specialist

➤ Member Solutions Manager

14. **BONDING.** The Credit Union will maintain adequate bonding for employee errors and omissions and faithful performance coverage.

15. **CONTINGENCY PLANNING.** The Credit Union will follow their contingency planning policies, ACH Recovery Plan, and associated procedures in the event there is a disruption or inability to process ACH transactions.