



Luther Burbank[®]

Savings

Automated Clearing House (ACH) Reference Guide

To ensure compliance with current regulations, all ACH originators will be provided with a current copy of the National Automated Clearing House Association (“NACHA”) Operating Rules (“Rules”) and Guidelines upon enrollment in ACH services with Luther Burbank Savings and annually thereafter. Additional copies of the Rules book may also be purchased at www.nacha.org.

If you have any questions about the Rules or need assistance in obtaining a copy of the Rules book, please email Luther Burbank Savings customer service at onlineaccounthelp@lbsavings.com. When emailing, please do not include any sensitive information such as account number, PIN, password or online ID. You may contact us at 888.578.4495 (Monday – Friday, 9:00am to 5:00pm, PST).

This reference guide provides a brief summary of ACH facts and ACH originator responsibilities. It is not intended to be a replacement or substitution for the NACHA Rules and Guidelines. NACHA Rules are subject to change.

ACH Facts

- An ACH originator is an entity or person that creates an ACH transaction.
- ACH entries are categorized as “consumer” or “corporate”.
- ACH is capable of crediting or debiting checking or savings accounts.
- ACH is a batch system (not real time).
- ACH entries are irrevocable once they have been transmitted to the ACH network.
- As of March 2010, ACH stop payments made on consumer accounts no longer have an expiration date.

ACH Legal Framework

You are required to abide by multiple rules and agreements including, but not limited to, the following when initiating ACH transactions:

- NACHA Rules and Guidelines (www.nacha.org)
- Regulation E (for consumer entries)
- UCC4 (for corporate credits)
- Luther Burbank Savings Business Deposit Account Agreement
- Luther Burbank Savings Business Banking Services Agreement
- Authorizations from employees, customers, etc.
- Bank and corporate agreements

Your Responsibility as an Originator

- Obtain proper authorizations, dependent upon the transaction type, and retain authorizations for two years past revocation (See “Consumer Debit Authorizations”)
- If requested by Luther Burbank Savings, provide a copy of the authorization within the timeframe stipulated on the ACH agreement. The Bank may request to see your authorizations from time to time as part of an annual audit.
- Send entries on the proper date.
- Give appropriate notice as defined in the NACHA Rules to debtor if changing amount or date.
- Cease subsequent entries when notified.

- Make necessary changes to payee account information within six (6) banking days upon receipt of a Notice of Correction or before another entry is sent.
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in the Luther Burbank Savings Business Banking Agreement and Security Procedures.
- Direct Deposit Payroll Authorizations (Consumer) – SEC Code is PPD.
 - Use a direct deposit authorization form containing verbiage to allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
 - Obtain a voided check or deposit ticket from the employee (if possible).
- Consumer Debit Authorizations – SEC Code is PPD.
 - For consumers, an authorization to debit an account must be in writing or “similarly authenticated”.
- Corporate Authorizations (Debit or Credit) – SEC Code is CCD or CTX, depending upon addenda origination.
 - For companies, there must be an agreement between the two parties. While, the NACHA Rules do not define an “agreement”, Luther Burbank Savings recommends that you have the company complete an authorization form.
- Changing Dates or Amounts of Debits
 - ACH Rules require you to notify your debtors of any changes in date or amount debited under the following circumstances:
 - Seven (7) calendar days’ notice for a change of date (consumer or corporate), or
 - Ten (10) calendar days’ notice for a change in amount (consumer only).
 - Sending the notice via U.S. Mail is acceptable.

Prenotifications (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry.
- Prenotes are optional for you to send but highly recommended as the purpose of a prenote is to verify account information.
- If sent, prenote rules must be followed and a prenote must precede the first live entry by at least six (6) banking days.
- The receiving bank is not required to validate the name of the payee on the prenote; they are only required to check the account number.

Notice of Change

- When ACH information is incorrect, a notification of change (NOC) may be sent by the receiving bank requesting that future entries contain correct information. ACH Rules require you to make the change within six (6) banking days of receiving the information from Luther Burbank Savings or before another entry is sent.
- The receiving bank warrants that the information they provide to you is correct.
- Luther Burbank Savings will notify you of any NOCs received on your behalf.
- Luther Burbank Savings may pass along any fines received based upon your non-compliance.

Returns

- Returns must be processed by the receiving bank within 24 hours of settlement. Returns that are unauthorized beyond the 24 hours are the company’s liability and any disputes may have to be settled outside the banking network. Luther Burbank Savings recommends that you view your account activity daily.
- Consumer unauthorized returns are an exception to the 24-hour rule, which may be returned within 60 days of posting.
- The use of consumer (PPD) or corporate (CCD) entry codes determine the applicable ACH return rules.
- If the receiving bank receives a dispute claiming a debit was unauthorized, the receiving bank must get a signed written statement of unauthorized debit from the account holder. You may obtain a copy of that statement by requesting a copy through Luther Burbank Savings.
- You may reinitiate a debit entry up to two times if you receive a return entry of non-sufficient funds (NSF) or uncollected funds. This gives the originator a total of three attempts at debiting an account.
- A stop payment return may be reinitiated only if you receive approval from the payee to resend the item.
- It is a violation of the NACHA Rules to reinitiate the debit entry if a return is received for any other reason.

Reversals

- If a reversing entry must be made, please contact Luther Burbank Savings customer service at 888.578.4495 (Monday – Friday, 9:00am to 5:00pm, PST) for confirmation that the reversals will be made within the appropriate timeframe. Reversals can then be submitted via Business Online.
- Reversals may only be made for the following three conditions:
 - Wrong dollar amount
 - Wrong account number
 - Duplicate transactions
- When initiating a reversal, the reversing entry must be for the full amount and sent within five (5) banking days of original entry and must be sent within 24 hours of discovering the error.
- The receiving bank is under no obligation to post the reversing debit if it overdraws the payee’s account or if the payee account is closed.
- A reasonable attempt must be made to notify a payee that a reversing debit entry will be made to their account. However, a payee does not need to authorize the reversing debit.

STANDARD ENTRY CLASS (SEC) CODES				
Code	Application Title	Application Description	Consumer / Commercial	Debit / Credit
ARC	Accounts Receivable Entry	Converted checks received via mail, drop box or manned bill payment location	Consumer checks or business checks without an aux-on-us field	Single debit only
BOC	Back Office Conversion Entry	Converted checks received by merchant at the point-of-purchase or manned bill payment location and processed during back office operations	Consumer checks or business checks without an aux-on-us field	Single debit only
CCD	Corporate Credit or Debit Entry	Transfer of funds between businesses or to consolidate funds from several accounts of the same business	Non-consumer accounts	Debit or credit
CIE	Customer Initiated Entry	Credit entry initiated by a consumer (usually through a bill payment service) used to pay an obligation	Consumer to business account; Originator: Consumer; Receiver: Business	Credit only
CTX	Corporate Trade Exchange	Payment or collection of obligations between businesses. Usually carries addenda information	Non-consumer accounts	Debit or credit
DNE	Death Notification Entry	Notice initiated by a Federal agency to advise an RDFI of the death of an individual (includes addenda records with details)	Consumer accounts only	Non-monetary entry
ENR	Automated Enrollment Entry	Entry submitted by financial institution to enroll accountholder in direct deposit of Federal government benefits	Consumer accounts only	Non-monetary entry
IAT	International ACH Transaction	Transaction involving a financial agency outside the territorial United States	Consumer or business account	Debit or credit
POP	Point-of-Purchase Entry	Check converted by merchant at point-of-sale; check handed back to customer	Consumer checks or business checks without an aux-on-us field	Single debit only
POS	Point-of-Sale Entry	Entry initiated by individual at a merchant location using a merchant-issued card for payment of goods or services	Consumer accounts only	Single debit (may be credit adjustment)
PPD	Prearranged Payment & Deposit Entry	Single or recurring entry for direct deposit of payroll, pension, etc.; or for direct payment of recurring bills such as utilities, loans, insurance, etc.	Consumer accounts only	Debit or credit
RCK	Represented Check Entry	Merchant or biller collection of checks which have been returned as NSF or uncollected funds	Consumer accounts only	Single debit only
TEL	Telephone-Initiated Entry	Single or recurring entry submitted pursuant to an oral authorization obtained solely via phone	Consumer accounts only	Debit only
WEB	Internet-Initiated or Mobile Entry	Single or recurring entry submitted pursuant to authorization obtained via the internet or mobile device	Consumer accounts only	Debit or credit
XCK	Destroyed Check Entry	Replacement entry for check that is lost or destroyed; or for check image that is unreadable or cannot be processed	Consumer or business account	Single debit only

For reference only. Not all SEC Codes are eligible to originate ACH entries via Business Online.

TRANSACTION CODES			
Transaction Codes	Return/ NOC	Forward Entry	Prenotification
Checking Account Credit	21	22	23
Checking Account Debit	26	27	28
Savings Account Credit	31	32	33
Savings Account Debit	36	27	38
Financial Institution General Ledger Credit	41	42	43
Financial Institution General Ledger Debit	46	47	48
Loan Account Credit	51	52	53

NOTIFICATION OF CHANGE (NOC) CODES	
Change Code	Field(s) Needing Correction
C01	Account Number
C02	Routing/Transit Number
C03	Account Number and Routing/Transit Number
C05	Transaction Code
C06	Account Number and Transaction Code
C07	Account Number and Routing/Transit Number and Transaction Code
C08	Incorrect Receiving Financial Institution Identification (IAT Only)
C09	Incorrect Individual ID Number/Incorrect Receiver ID Number
C13	Addenda Format Error
C14	Incorrect SEC Code for Outbound International Payment

RETURN CODES			
Return Code	Reason/Description	Applicable SEC Codes	Return Deadline
R01	Insufficient Funds – Available balance is not sufficient to cover the dollar amount of the debit entry.	ALL	2 Banking Days*
R02	Account Closed – A previously open account is now closed.	ALL	2 Banking Days*
R03	No Account/Unable to Locate – The account number does not correspond to the individual identified in the entry or a valid account.	ALL	2 Banking Days*
R04	Invalid Account Number – The account number fails the check digit validation or may contain an incorrect number of digits.	ALL	2 Banking Days*
R05	Unauthorized Debit to Consumer Account using Corporate SEC Code – A business (corporate) debit entry was transmitted to the account of a consumer who had not authorized the entry.	CCD, CTX	60 Calendar Days – Written Statement of Unauthorized ACH Debit
R06	Returned per ODFI's Request – The ODFI has requested that the RDFI return the entry.	ALL	Not Applicable
R07	Authorization Revoked – Consumer account holder who previously authorized an entry has revoked authorization with the originator.	Any except for ARC, BOC, POP or RCK	60 Calendar Days – Written Statement of Unauthorized ACH Debit
R08	Payment Stopped – Account holder has previously requested a stop payment of a single or recurring entry.	ALL	2 Banking Days*
R09	Uncollected Funds – Available balance is sufficient, but collected balance is not sufficient to cover the entry.	ALL	2 Banking Days*
R10	Account holder advises not authorized, notice not provided, improper source document or amount of entry not accurately obtained from source document or incomplete transaction.	Any except CCD or CTX	60 Calendar Days – Written Statement of Unauthorized ACH Debit
R14	Representative Payee Deceased – Representative payee is deceased or unable to continue in that capacity; beneficiary is not deceased.	ALL	2 Banking Days*
R15	Beneficiary or Account Holder Deceased	ALL	2 Banking Days*
R16	Account Frozen – Access to account is restricted due to specific action taken by the RDFI – by legal action or returned per OFAC instruction.	ALL	2 Banking Days*
R20	Non-Transaction Account – Policies or regulations (such as Regulation D) prohibit or limit activity to the account indicated.	ALL	2 Banking Days*
R23	Credit Entry Refused by Receiver	ALL	24 Hours from Notification by Receiver
R29	Corporate Entry Unauthorized – RDFI has been notified by non-consumer account holder that a specific transaction is unauthorized.	CCD, CTX	2 Banking Days*
R31	Permissible Return Entry – ODFI agrees to accept a return of an unauthorized corporate entry after the return deadline.	CCD, CTX	Not Applicable
R37	Source Document Presented for Payment – Check used for an ARC, BOC or POP entry has also been presented for payment.	ARC, BOC, POP	60 Calendar Days – Written Statement of Unauthorized ACH Debit
R38	Stop Payment on Source Document – Stop payment has been placed on a check used for an ARC or BOC entry.	ARC, BOC	60 Calendar Days
R39	Improper Source Document/Source Document Presented for Payment – RDFI determines that the source document (share draft/check) used for an ARC, BOC or POP entry is not eligible for conversion, or the share draft/check has already been presented for payment	ARC, POP, BOC	2 Banking Days*
R51	RCK Entry Considered to be Ineligible or Improper	RCK	60 Calendar Days – Written Statement of Unauthorized ACH Debit

*Each return entry must be received by the ODFI no later than opening of business on the second banking day following the settlement date of the original entry.