

A close-up, shallow depth-of-field photograph of a hand holding a silver pen, writing on a check. The check is white with black text and lines. The number '123' is visible in the top left corner. The background is a blurred desk with a calculator and other papers. A large blue and green geometric overlay covers the right side of the image.

Check Returns & Adjustments

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Agenda



Returns and Adjustment Overview



Returns



Adjustments

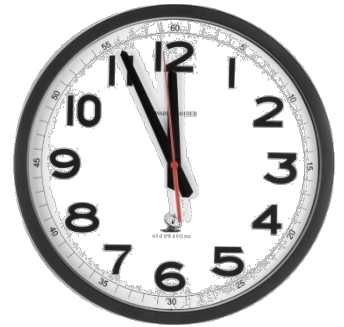
Governing Rules & Regulations

- Returns – Governed by statutory and regulatory requirements
 - UCC midnight deadline (UCC 4-301)
 - Reg CC expeditious return requirement (§ 229.30)
- Adjustments – Handled “by agreement” of the parties
 - Fed Operating Circular 3 Rules
 - ECCHO Rules
 - Third party providers for operational procedures and settlement



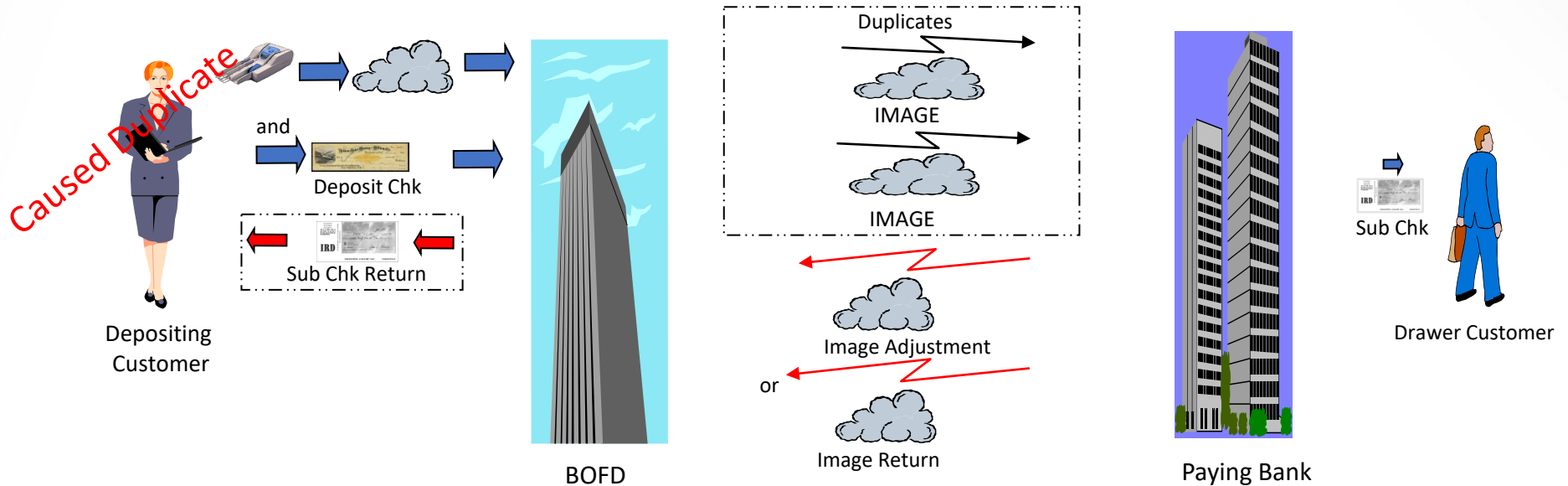
Return or Adjust?

- An error has occurred! As the Paying Bank your return clocks are ticking
 - UCC requires you make the determination to pay or dishonor the item by midnight of the day following presentment
 - Reg CC requires items to be returned, to be handled expeditiously
 - Return must reach depository bank by 2:00 p.m. (local time) two days after presentment
- What should you do?
 - Do you return the item?
 - Do you adjust the item?
 - What are your options?



Return vs. Adjustment

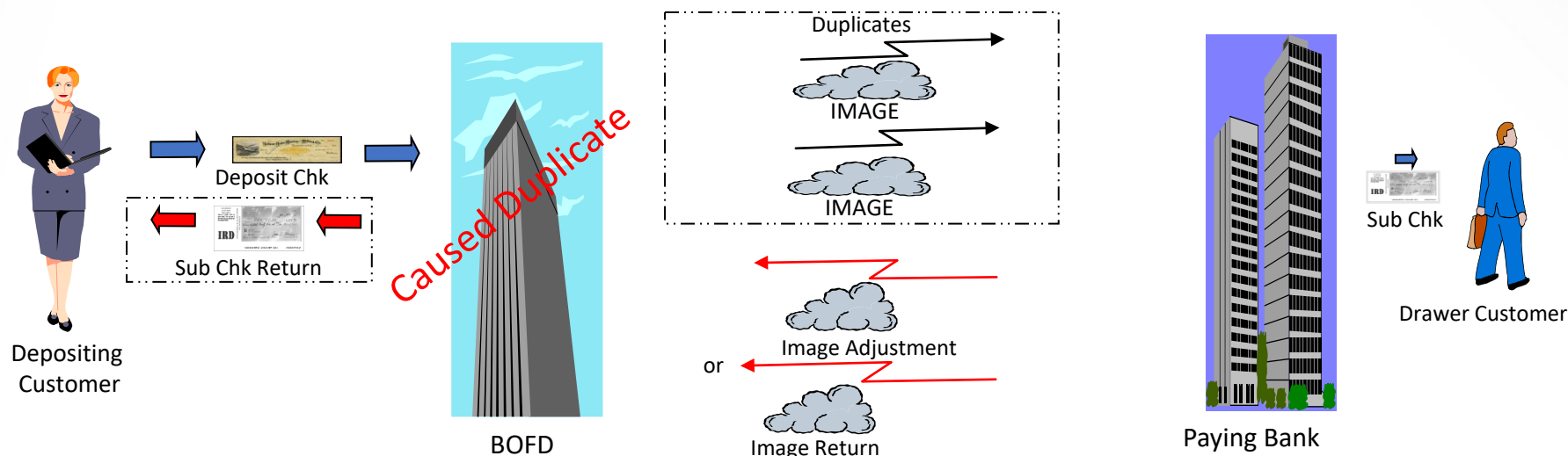
Returns Considerations



- Not sure cause of error? Return is faster
 - Timely settlement
 - Do not lose right of return (can make the deadline for a timely return)
 - In remote capture (RDC) environment, speed is a consideration if unsure of cause of duplicate
- But, may have negative customer impacts
 - Depositing customer and/or drawer customer

Return vs. Adjustment

Adjustments Considerations



- System error? Adjustment to bank is made to appropriate party
 - Minimizes negative impact to customers
 - Handled within banking system
 - Adjustment areas familiar with process
- But, can be less efficient than return
 - Research and settlement timing
 - Additional documentation may be needed
- May lose right to return item (missed deadlines for timely return)
 - Significant issue if item is counterfeit or forged and not duplicate

Agenda



Returns and Adjustment Overview



Returns



Adjustments

The Pay/No Pay Decision

- When item is presented for payment, Paying Bank should verify:
 - Status of the account
 - Is it ours? Is the account closed/frozen?
 - Status of funds
 - Sufficient balance, OD protection?
 - Authority to pay the check
 - Meets conditions of signature card?
 - Stop payment requests
 - Legitimacy of the check
 - Negotiability, proper endorsement

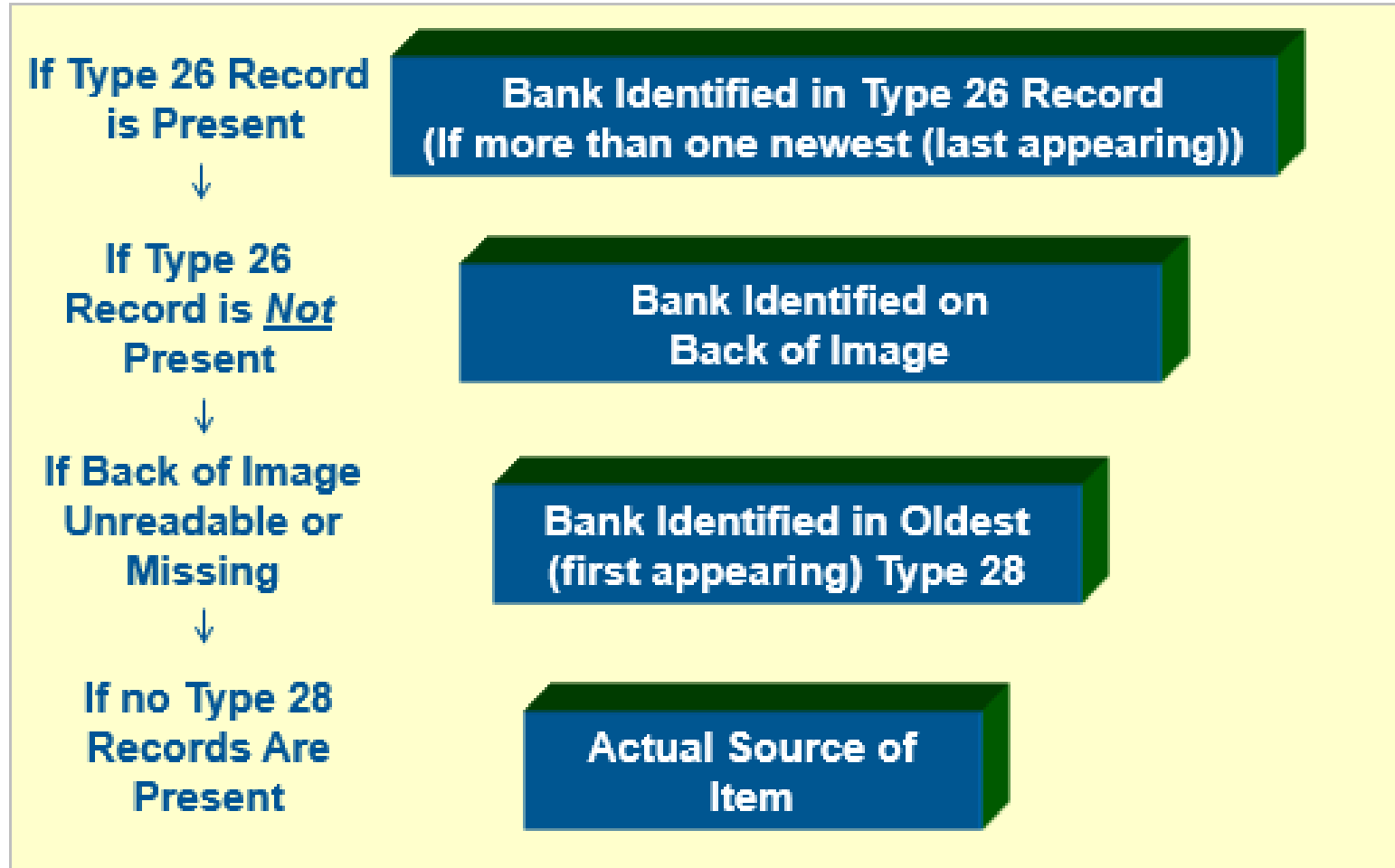


Returns

- Return items may be directed back to:
 - BOFD, or
 - Prior collecting or presenting bank
- Returns processes dependent on channel used and agreements in place
 - Must still follow Reg CC & UCC 4 regulatory requirements
 - Any exceptions should be returned by midnight deadline or they are considered finally paid
- Reg CC requires Paying Bank:
 - Identify return and reason for return
 - Clearly indicate reason for return
 - If substitute check, place information within image on front of substitute check



Hierarchy of Returns



Source: ECCHO

Types of Returns

- Customer Returns
 - Dishonored item under check law
 - Usually attempt charge to customer account
- Administrative Returns
 - Return for reason other than dishonored item
 - Usually handled internally rather than charged to customer
 - Can also be handled through adjustment process
 - If handled as return, must still adhere to legal requirements for return item
 - Generally admin reasons for return are exchanged by agreement



Common Return Reason Codes

Return Code	Return Reason	Customer Return (R) Admin Return (E) or Both
A	NSF – Non-Sufficient Funds	R
B	UCF – Uncollected Funds	R
C	Stop Payment*	R
D	Closed Account	R
E	Unable to Locate Account (UTLA)	R
F	Frozen/blocked	R
G	Stale Dated*	R
H	Post Dated*	R
J	Endorsement Irregular*	R
L	Signature Irregular/Suspect Forgery*	R
N	Altered/Fictitious Item/Suspect* Counterfeit/Counterfeit	R



Common Return Reason Codes Codes

Return Code	Return Reason	Customer Return (R) Admin Return (E) or Both
Q	Not Authorized/Ineligible	R / E
S	Refer to Maker*	R
T	Item Cannot be Represented*	Both
U	Unusable Image	Both
Y	Duplicate Presentment*	Both
Z	Forgery – Affidavit available upon request	R
3	Warranty Breach (includes Rule 8 & 9)	Both
4	RCC Warranty Breach (Rule 8)*	Both
5	Forged and Counterfeit Warranty Breach (Rule 9) *	Both
6	Retired/Ineligible/Failed Institution Routing Number	Both



Stop Payment (C)

- A request, by a person having authority to sign on the account, not to pay a specific check that was written against that account
- May be requested by any authorized signer; it need not be
 - The signer of the check in question
 - An account owner



Stop Payment Timeframes

- UCC 4-403(a): Stop payment order must be received by the bank at a time and manner as to allow the bank reasonable opportunity to act on it
 - Stop payment order is effective for six months
 - Oral notice is effective for 14 days, and will lapse if not confirmed in a record format
 - May be renewed in writing for an additional six months
- Stopping payment does not affect the maker's liability on the check



Post Dated (H) / Stale Dated (G)

- UCC 4-401: A bank may charge against the account of a customer a check that is otherwise properly payable from the account, even though payment was made before the date of the check
- UCC 4-403: A bank is under no obligation to a customer to pay a check which is presented more than six months after its date, but it may charge its customer's account for a payment made thereafter in good faith



Endorsement Irregular (J)

- Typically used for issues with payee endorsements
 - Forged Endorsement
 - Endorsed, cashed or deposited by someone other than payee
 - Check may even lack a physical endorsement
 - Payable to multiple parties
 - One party forges endorsements of all payees or negotiates without additional endorsements
 - Only “and” or “&” means both
 - Otherwise: either, or
- If discovered after return deadline, but within three years, must deal direct and affidavit is required



Signature Irregular/Suspected Forgery (L)

- Used if signatures do not conform to signature cards, or suspected forgery and customer affidavit not available
- Forged signatures
 - False imitation of payee signature
 - Generally perpetrated by person known to payee
 - Employees gone bad
 - Relatives
 - Check orders stolen from mailbox
 - If discovered after return deadline, must deal direct and affidavit is required
 - UCC 4-406: One-year statute of limitation for customer to assert claim for unauthorized signature



Altered/Fictitious/Counterfeit (N)

- Multipurpose use:
 - Altered
 - Fictitious item
 - Suspected counterfeit
 - Counterfeit
- If discovered after return deadline, must deal direct and affidavit is required
 - UCC 4-406: One-year statute of limitation for customer to assert claim for alteration
- Not used for Rule 9 claims



Refer to Maker (S)

- “Refer to Maker” as a reason code is essentially a non-reason or “Other”
 - Lacks specificity
 - Recommended its use be limited
- Typically used for Positive Pay
 - Maker instructs bank to return check
- Not appropriate when check is being returned due to Paying Bank having already paid item, where check has been altered or is unauthorized



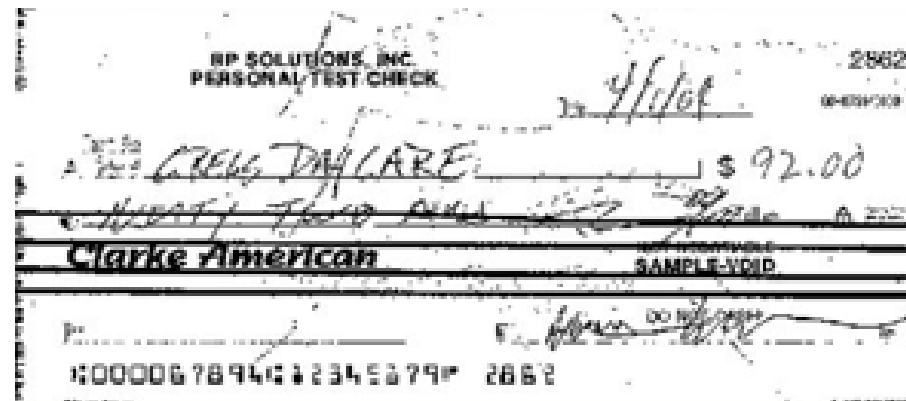
Item Cannot be Represented (T)

- Used when number of presentments exceeds number of presentments allowed under exchange rules
 - Fed Rules: Operating Circular 3 – may present 2 times
 - ECCHO Rules: (private sector) – may present 3 times



Unusable Image (U)

- Image could not be used for required business purpose
 - Illegible
 - Gross image defects
 - Poor quality
- Mismatched MICR
 - MICR data in electronic record not representative of MICR line on front image of check




Duplicate Presentment (Y)

- Return because item has already been presented and paid
 - Re-presentment of a previously returned item is not a duplicate
- How will this be handled at your institution?
 - Charge back to depositor immediately
 - Research in adjustments area and then determine who to charge
- If discovered after return deadline and within one year, handle as an adjustment or deal direct



RCC Warranty Breach (4)

- ECCHO Rules – Section XIX(N)
 - Generally referred to as “Rule 8”
 - ECCHO rules set forth process for Paying Bank to make an RCC warranty claim
 - Claim made through return process but is not a return
 - Detailed process and related timing outlined in rules for handling/responding to breach of warranty claim

	Halfpricesoft.com PO Box 17067 Louisville, KY 40217 http://www.halfpricesoft.com	MY Bank Main Street 1001 Louisville, KY 42345	No. 1275 67-1680 Date 10/13/2011
Pay To The Order Of	John Smith	\$ 100.00	
One Hundred and 00/100		Dollars	
John Smith Apt. 3100 1000 Somewhere Rd. Nowhere, KY 42000	SIGNATURE NOT REQUIRED Your depositor has authorized this payment to payee. Payee to hold you harmless for payment of this document. This document shall be deposited only to the credit of payee.		
Memo: Test Pay Check ...			
⑈000001225⑈ ⑆123456789⑆0123456789⑈			

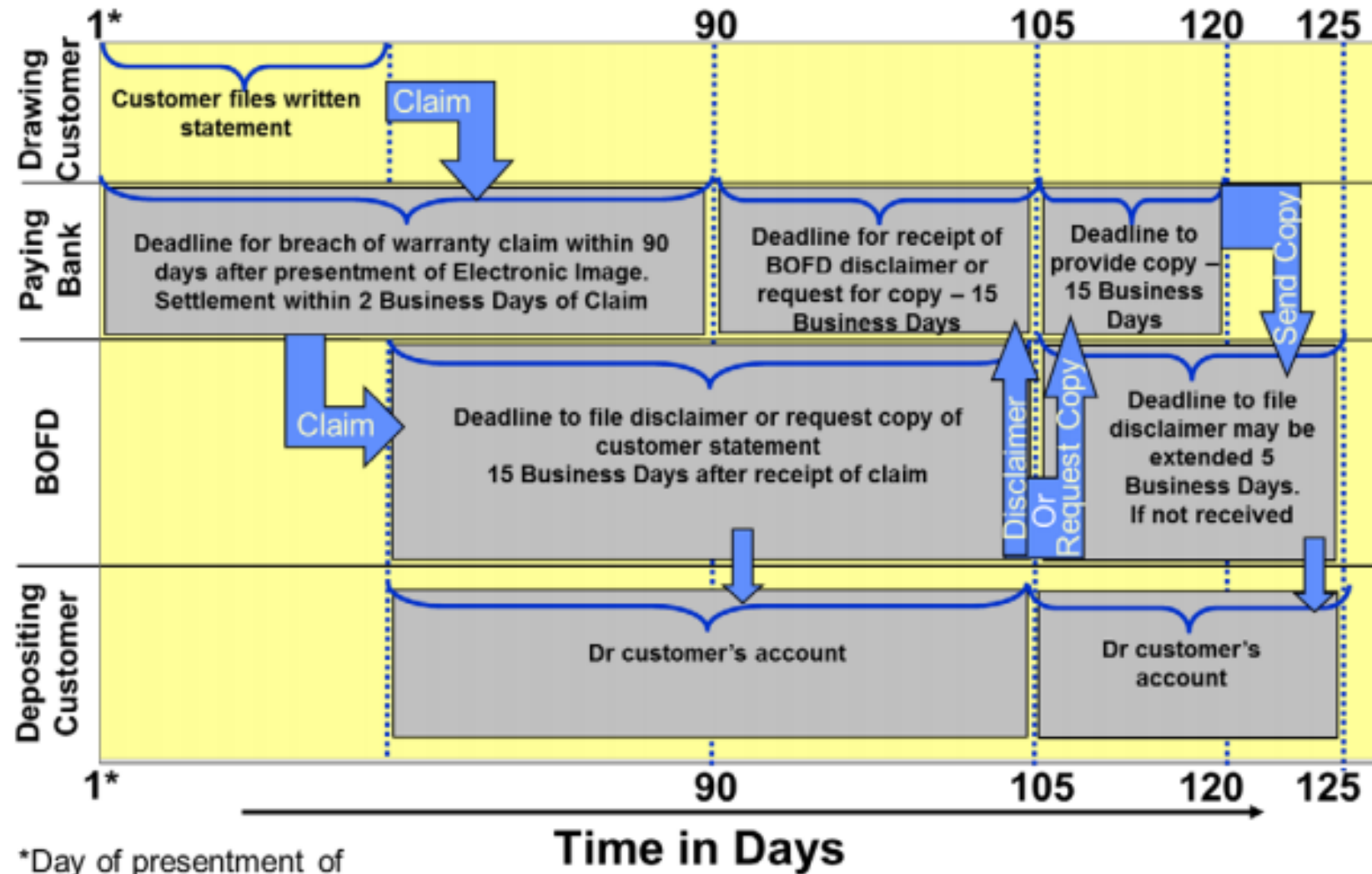


RCC Warranty Breach (4)

- Rule 8
 - Local clearing house exchanges use “Rule 8” which allows the institution to return the RCC in their return cash letter
 - Financial institutions not required to opt-in
 - Customer required to complete affidavit
 - Return within 90 calendar days in return cash letter
 - Institution has 15 days to submit affidavit upon request from Bank of First Deposit (BOFD)
 - Cannot be used for items that clear through the Federal Reserve Bank
 - If discovered after deadline and within one year, may deal direct and affidavit is required



Rule 8 Claim Process Timing



*Day of presentment of Electronic Image



Forged & Counterfeit Warranty Breach (5)

- ECCHO Rules – Section XIX(O)
 - Generally referred to as “Rule 9”
 - Sending Bank (first is Depository Bank) warrants:
 - Signature of purported drawer is not forged or otherwise unauthorized, and
 - Related physical check is not counterfeit
 - Participation is default in Rules
 - Opt-out permitted
 - Claim made through return process, but is not a return
 - Rule 9 is an interbank warranty
 - Authority to debit customer account under deposit agreement

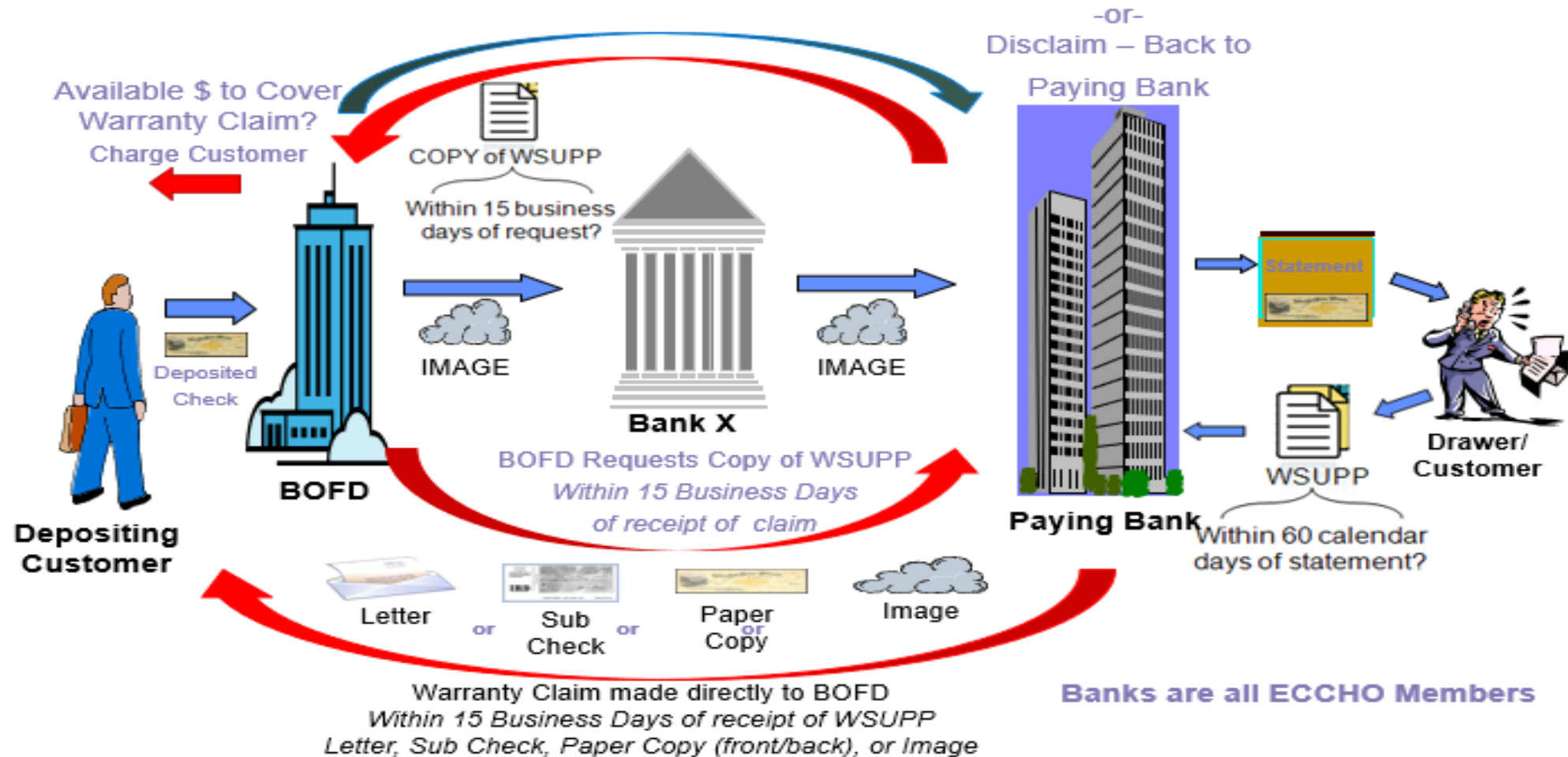


Forged & Counterfeit Warranty Breach (5)

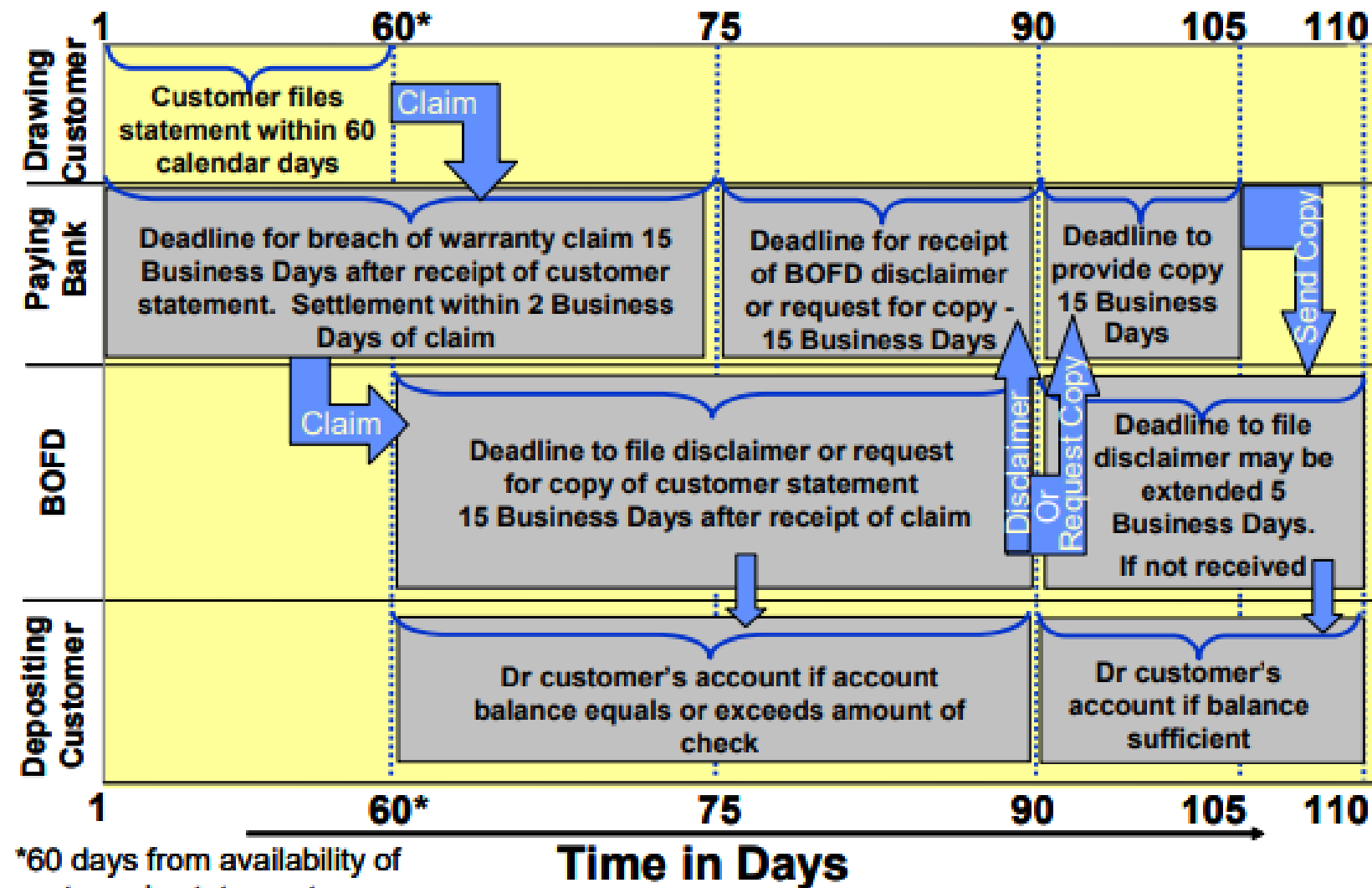
- BOFD does not incur losses, if depositing customer does not have sufficient funds in account
 - If funds are insufficient, loss moves back to paying bank
- Warranty only applies to exchanges under ECCHO rules
 - Warranty begins with BOFD
 - Does not apply if non-ECCHO member
 - Does not apply to paper exchanges
 - Does not apply to exchange through Federal Reserve Bank
- No additional adjustment or warranty claim options outside of timeframe



Rule 9 Claim – Section XIX (O)



Rule 9 – Claim Process Timing

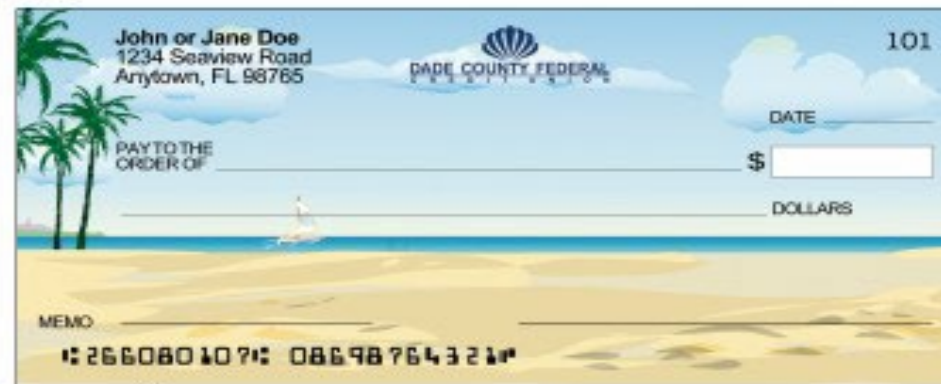


*60 days from availability of customer's statement



Retired/Ineligible RTN (6)

- Routing number is currently no longer in use or is ineligible
- Regulators have declared institution insolvent



ABA Transit /
Routing Number:
266080107



Agenda



Returns and Adjustment Overview



Returns



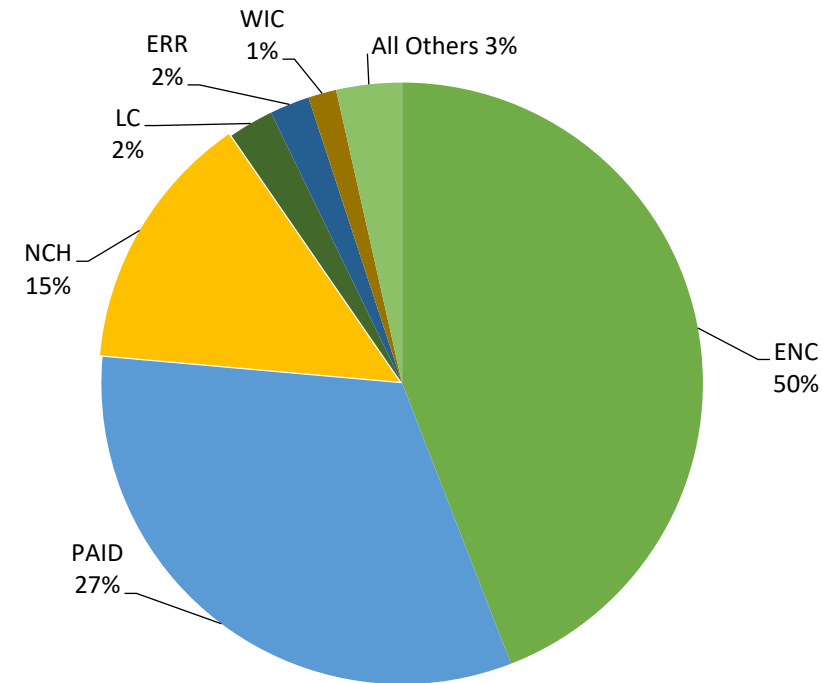
Adjustments

Incoming Adjustment Types from Financial Institutions

Two adjustment types account for 77% of the cases received for the year:

- ENC (*Encoding Error*)
- PAID (*Paid Twice*)
- NCH (*Non-Cash Item*)
- LC (*Late Return Claim*)
- ERR (*Entry in Error*)
- URCC (WIC) (*Unauthorized Remotely Created Check / Warranty Indemnity Claim*)

Incoming Volume from
Financial Institutions
January 2021 - September 2021



Note: These numbers do not include incoming adjustments from Government Agencies or FRB Processing



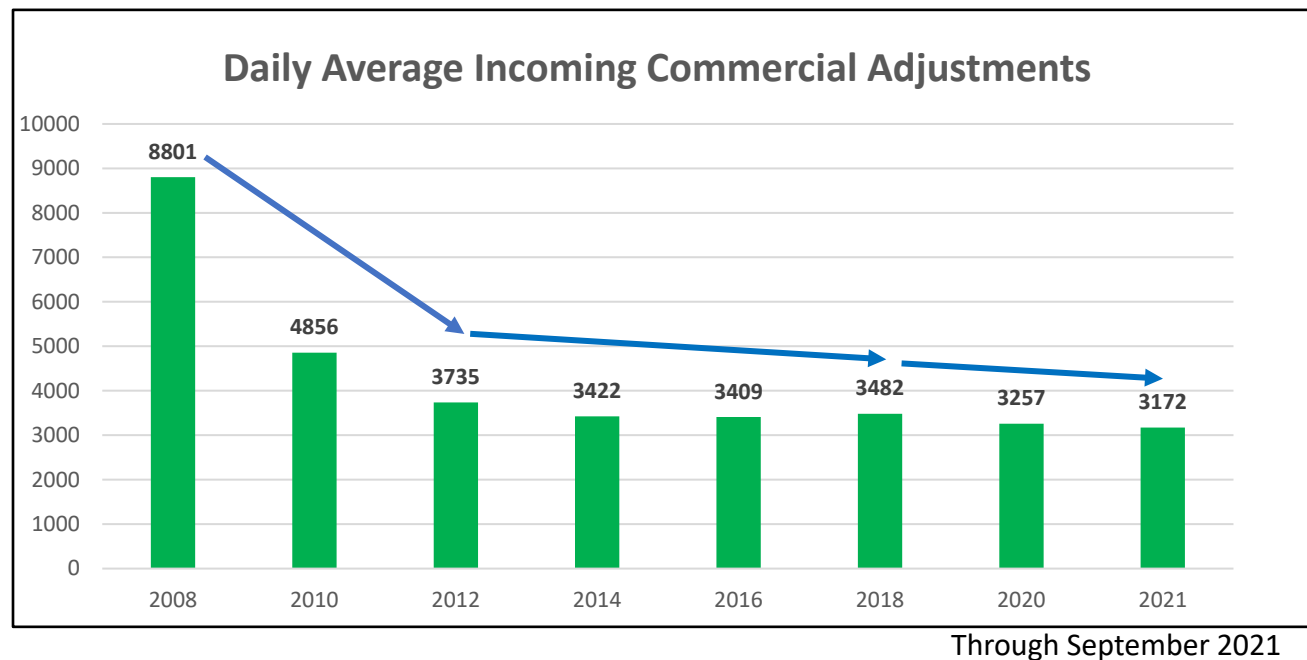
Top Incoming Fed Adjustments

Adjustment Type		Adjustment Reason
ENC	Encoding Error	<ul style="list-style-type: none">• Item was encoded for an amount different than the legal (written) amount; or• Written amount differs from stated amount in ICL/ICLR
PAID	Duplicate paid item	Request for credit when both items have been paid
NCH	Noncash Item	Includes MICR-Mismatch and NCI
ERR	Entry in Error	Request to investigate either a forward or return entry that is believed to be in error
LC	Late Return Claim	Depository Bank makes claim when believes an item was returned late
WIC/URCC	Unauthorized Remotely Created Check claim	WIC claim can also be a Warranty Indemnity Claim for a Check 21 item



Adjustments at the Federal Reserve Bank

- Incoming Adjustment Trends
 - Average number of days to resolve an incoming case = 1.19
 - Daily average incoming adjustments in 2020 vs. Jan - Sept 2021 = -3% decrease

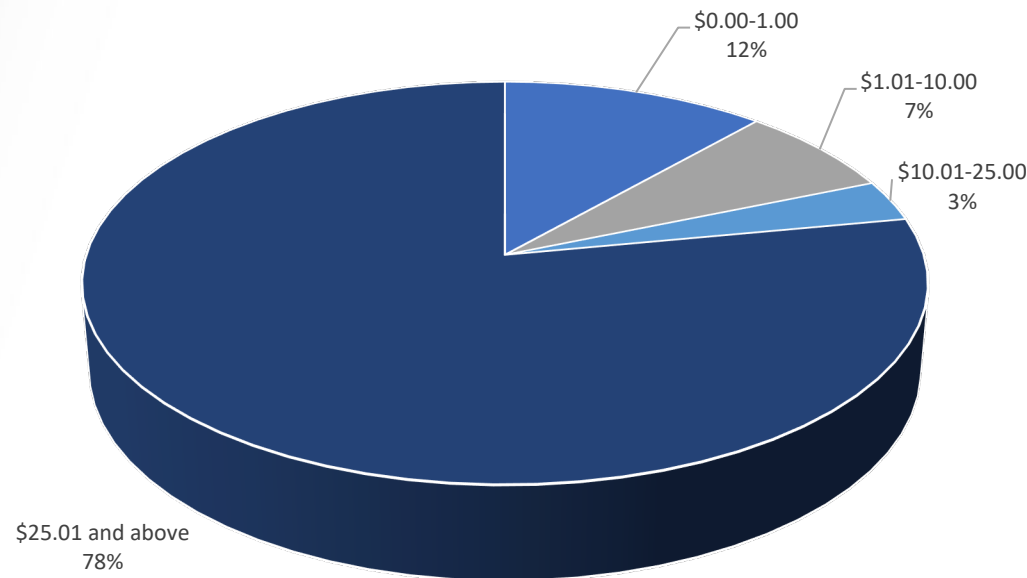


Through September 2021



Encoding Errors Amounts in August 2020

- Encodes Received in FedLine[©]
August 2020



- Of all items submitted in August that were between \$0.01 and \$1.00, 59% were a request for Debit

Encoding Error (ENC) - FRB

- Used when an item was clearly encoded for an amount different than the legal (written) amount, or the written amount differs from the stated amount ICL
- Timing:
 - Within six calendar months of cash letter date
 - Give immediate provisional entry
 - After six calendar months of cash letter date
 - Provide SOR/DISP and advise to deal direct
 - Documents are optional

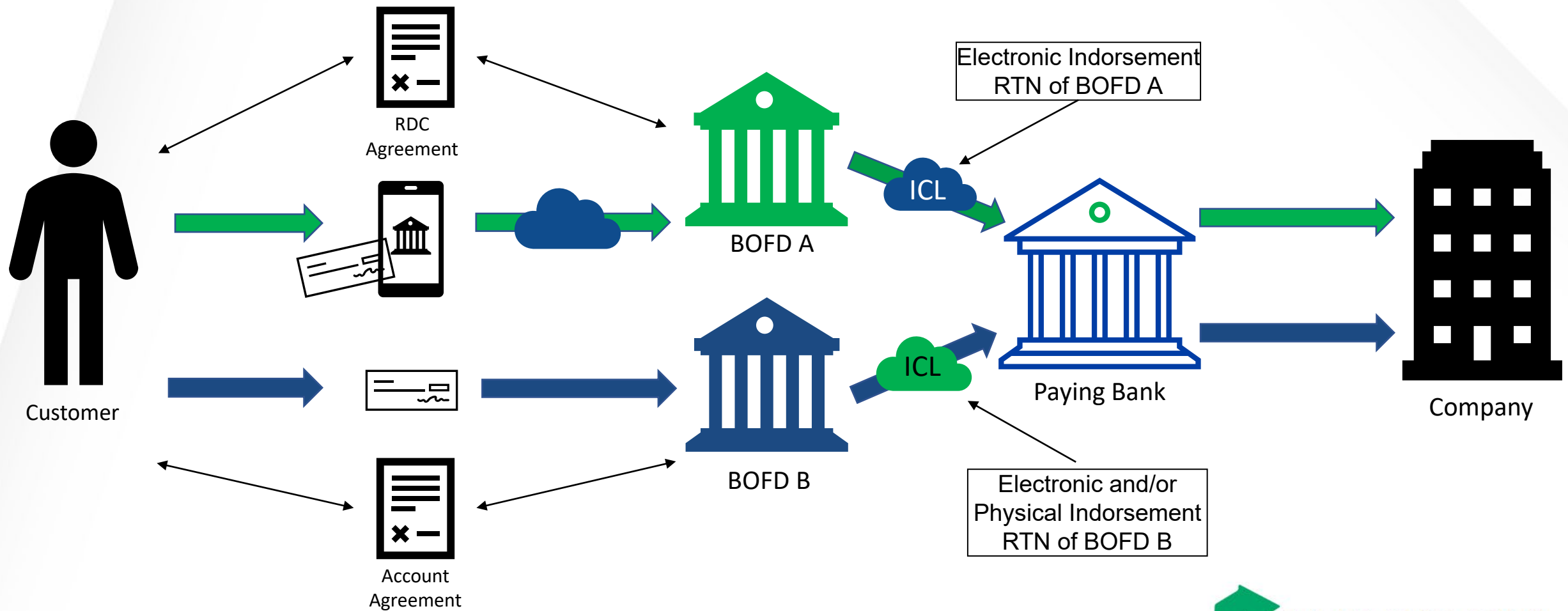


Amount Error - Legal amount - ECCHO

- Used for Encoding Errors or Misreads
- Timing:
 - 180 calendar days with entry
 - Up to 1 year without entry



Duplicate Example



Paid Item (PAID) - FRB

- PAID - A case involving an item that was refused because either the original or a photocopy of the item has already been paid
 - Immediate entry is given if request for credit is received within six calendar months of the date charged
 - Requests received after six calendar months of the date charged must deal direct
 - Fed will provide source information



Paid Item (PAID) - FRB

- Duplicate Paid (PAID)
 - Check 21–related PAID items
 - No copies of items needed
 - DTF's are optional on single item cases
 - Can include multiple items in same bundle within the same cash letter into a single adjustment case
 - Must be six or more items
 - DTF required with listing of items



Paid Item (PAID) - FRB

- Fields to capture information on “other” item
 - FCL1: From Cash Letter
 - TCL1: To Cash Letter
 - CLD1: Cash Letter Date
 - SEQ1: Sequence Number



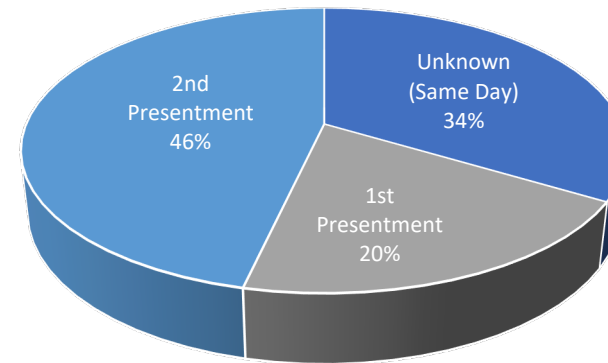
Proper reporting of PAID items

- Adjustment process should always be used to report an item that has previously paid
 - These items should never be processed as return items after midnight deadline
- Fed error type DUP should not be used to report items that paid twice
 - DUP is used for duplicate charges



PAID Case Trends

- 78% of Paid Cases submitted to the Federal Reserve Bank have both items deposited by the same routing number.
- Which Presentment is charged back with Paid Case:



Duplicate Adjustment – ECCHO

- An institution received an item which it was asked to pay based on an item that it already had paid
 - No minimum amount
 - Return process is also used under administrative returns function at some institutions
 - Return reason code “Y”
- Timing:
 - 180 calendar days with entry
 - Up to 1 year without entry
 - Both sources required
 - Adjustment typically goes to last institution to present item



Non-Cash Item (NCH) - FRB

- Request for credit for a non-valid item or an item that does not meet legal equivalence requirements for Check 21
 - MICR mismatched
 - Non-negotiable item
- Timing:
 - Within 20 business days of cash letter date
 - Give immediate provisional entry
 - After 20 business days but within six months
 - Entry made after approval of offsetting institution
 - Request offsetting institution to respond within 20 business days or entries will be made
 - After six months of cash letter date
 - Provide SOR/DISP and advise to deal direct
 - Documents are optional for NCH



ECCHO Adjustments

- Non-negotiable item and non-cash item
 - 90 calendar days with entry
 - 91 calendar days to 1 year without entry
- Non-conforming image and image missing, invalid RT, ineligible item
 - 20 business days with entry
 - 21 business days to 1 year without entry
- MICR Mismatch
 - 90 calendar days with entry
 - 91 calendar days to 1 year



Entry in Error (ERR) - FRB

- Request to reverse/investigate an entry made in error
- Timing:
 - Within 20 business days of cash letter date
 - Give immediate provisional entry
 - After 20 business days of cash letter date
 - Entry made after approval of offsetting institution
 - Request offsetting institution to respond within 20 business days or entries will be made
- Unless you are disputing an entry that requires documentation, attachments are not required



Entry in Error (ERR) – FRB

(Claim of Damage Due to Underencoding Adjustment)

- Request for credit for an underencoded item charged and for which you are unable to collect the funds
 - BOFD warrants the encoding after issue under Reg CC warranties
 - Paying Bank can disclaim item that was under-encoded by the BOFD to protect themselves from a loss
- Timing:
 - Within 20 business days of the encoding error charge
 - Give immediate provisional entry
 - After 20 business days, but within one year
 - Provide SOR/DISP and advise to deal direct



Claim of Damage Due to Under-encoding - ECCHO

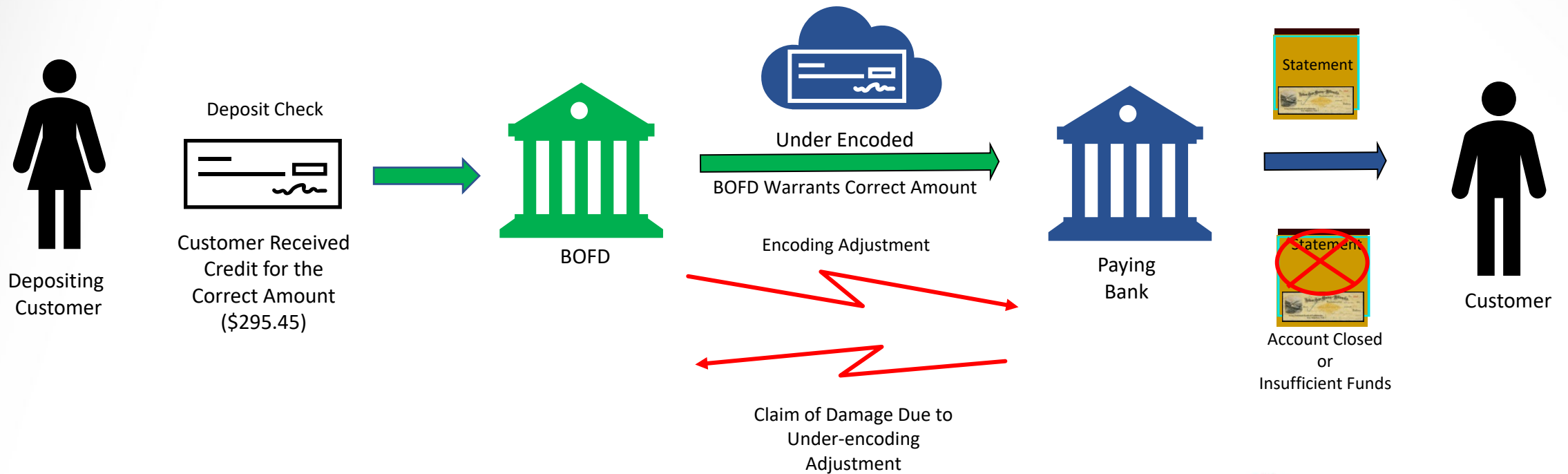
- Sending Bank warrants the encoding after issue under Reg CC warranties
 - Paying Bank can disclaim item that was under-encoded by the BOFD to protect themselves from a loss
 - Federal Reserve minimum \$ amount
- Timing: 20 business days with entry



Claim of Damage Due to Under-encoding

Check for \$295.45 – Encoded as \$95.45 (under-encoded for \$200)

- Paying Bank unable to collect the additional \$200
- Has claim back to BOFD



Late Return Claim (LC) - FRB

- Current process for handling late returns
 - \$100.00 or greater
 - Must be reported within two calendar months after receipt of the return charge
 - Bank's Claim of Late Return form must be completed and signed by the depository institution
 - Copy of item may be submitted with form
 - Immediate provisional credit received within five business days
 - After two calendar months, but within one year, deal direct



Late Return Disclaimer (LR) - FRB

- Current process for filing late disclaimer
 - Must be reported within 20 business days of the Fed charge of late return
 - Paying Bank's Response to a Claim of Late Return form must be completed and signed by depository institution
 - Copy of item may be submitted with form
 - Immediate credit received within five business days
 - After twenty business days, but within one calendar year, deal direct



Late Return Processing

- Any dispute of late return must be handled financial institution to financial institution
 - Ask Fed for Source of Receipt (SOR) and Disposition (DISP) of item



Late Return Claim – ECCHO Rules

- \$100 or more
- Must be submitted 60 calendar days from presentment of the return item
- To disclaim it must be done within 20 business days from the receipt of the late or disputed return item
- Copy of item required



Remotely Created Checks (RCCs)

- A check that is not created by the paying bank and that does not bear a signature applied, or purported to be applied, by the person on whose account the check is drawn
- Main characteristics:
 - Created by payee or payee's agent
 - Not signed by the maker
 - Signature line says: "No Signature Required", "Signature on File", "Authorized by your Customer" or similar language
 - Deposited into the payee's account



Reg CC – Warranties

- Remotely Created Check Warranty
 - Included in Warranties section [§ 229.34(b)]
 - Bank that transfers or presents a remotely created check warrants that the person on whose account the check is drawn:
 - Authorized issuance of the check;
 - In amount stated on check; and
 - To payee stated on check
 - Warranties given only by banks and only to subsequent banks



Warranty/Indemnity Claim (WIC) Associated with Unauthorized Remotely Created Checks (URCCs) – FRB

- Used when paying institution alleges that RCC was not
 - authorized in the amount stated on the check
 - to the payee indicated on the check and
 - does not bear a signature applied, or purported to be applied, by the person on whose account the check is drawn
- For Fed adjustment; must be presented through the Federal Reserve Bank



Warranty/Indemnity Claim (WIC) Associated with Unauthorized Remotely Created Checks (URCCs) – FRB

- Required Documents:
 - Customer's written statement
 - Legible copy of front and back of item
- Timing:
 - Use the current "URCC" error type
 - Submit 90 calendar days from the cash letter date
 - If over 90 calendar days, deal direct
 - Temporarily changed from 90 calendar days to 150 due to COVID-19



Written Statement

- Must have a written statement asserting under oath that the RCC was unauthorized
 - No specific form is required
 - Reg CC language required
 - Statement must clearly indicate that it was asserted under oath and must contain Regulation CC language that serves as the basis for the warranty claim – that the person or entity on whose account the remotely created check is drawn did not authorize the issuance of the check in the amount stated on the check to the payee stated on the check



Unauthorized RCC Warranty Claim - ECCHO

- Adjustment Process through clearinghouse exchange (private sector)
 - ECCHO adjustment
 - Use the current Breach of Warranty “WIC” error type
 - Submit 90 calendar days from the cash letter date
 - Signed affidavit
 - Rule 8 claim



Remote Deposit Capture Indemnity

- Purpose of Indemnity:
 - Provides some level of protection to BOFD that accepted paper check for deposit that was returned unpaid because check was previously deposited with other Depositary Bank(s) via RDC
 - RDC bank's potential liability arises when it permits customer to truncate check and deposit image of that check
 - Customer retains original check and may intentionally or mistakenly deposit paper check in another bank
- Paying Bank's duplicate item decisioning process remains unchanged
 - May return duplicate (with correct return reason) if timing permits
 - May adjust as a PAID (Federal Reserve) or Duplicate (ECCHO)

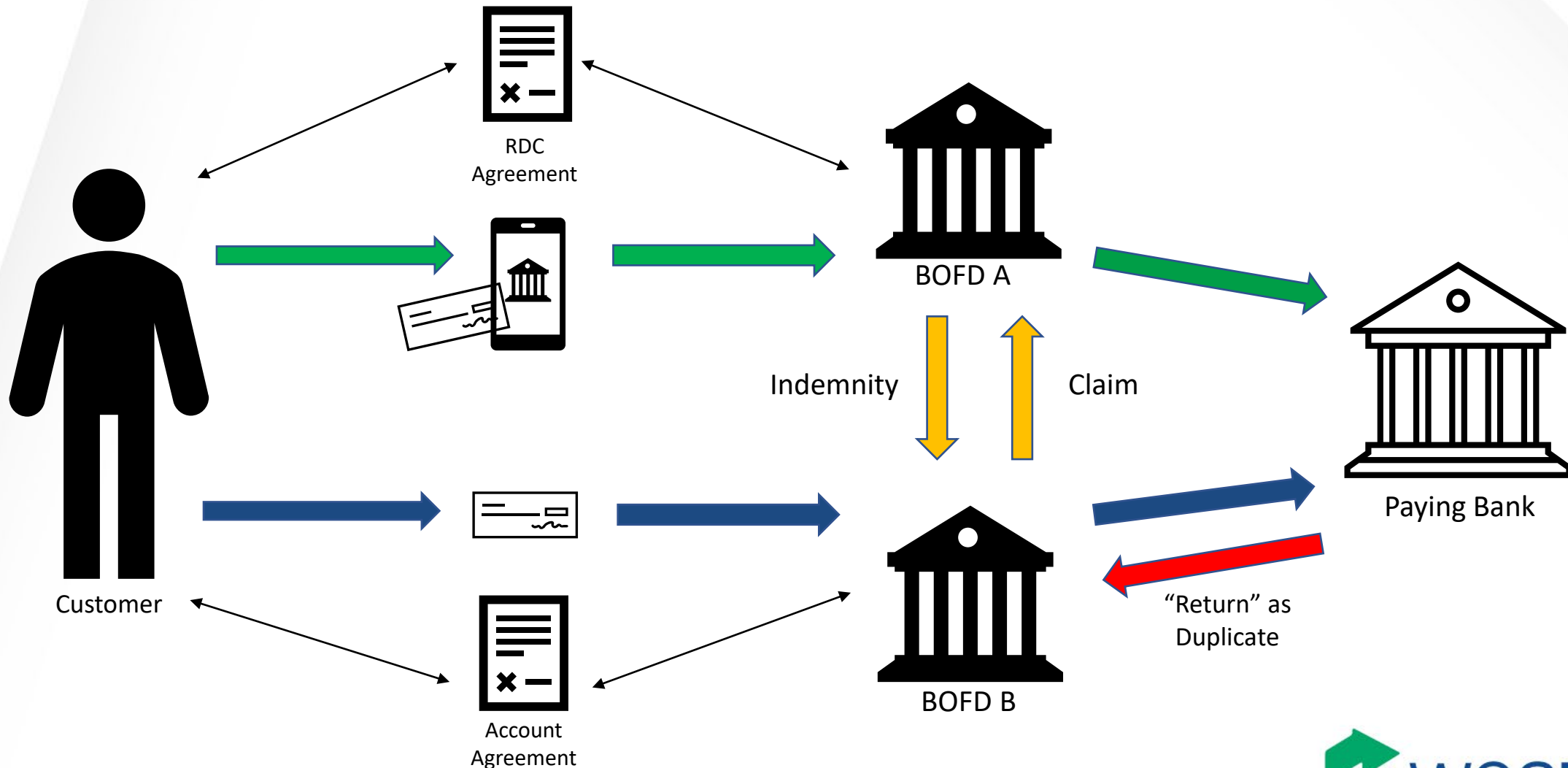


Remote Deposit Capture Indemnity

- Indemnity permits Depository Bank that accepts original paper check to make claim against Depository Bank that permitted customer to truncate
 - Claim made to any truncating bank, even if multiple truncating banks
 - Claim only exists if check returned to bank that accepted original check due to fact check already paid
 - Allows truncating bank to allocate loss to its depositing customer by agreement
- Depository Bank may not make indemnity if original check bore restrictive indorsement inconsistent with means of deposit (i.e., “for mobile deposit only”)



Remote Deposit Capture Indemnity Claim



Remote Deposit Capture (RDC) Warranty Claim

- Adjustment may be made by “paper Depository Bank” (BOFD2)
 - Fed: RDC
 - 90 calendar days immediate credit
 - After 90 calendar days deal direct
 - IF BOFD1 disagrees they will be able to bounce back once using ERR after that they must deal direct
 - ECCHO: WIC for RDC
 - Within one calendar year immediate credit
 - Provide information as requested
 - If BOFD1 disagrees with claim they must respond within 20 business days from receipt of the RDC WIC Claim



Submitting an RDC Claim to the FRB

- Information to include on Adjustment Case:
 - Item data fields include FRB source for paper deposit check
 - Comments must include FRB source for RDC check unless a PAID adjustment entry was involved
 - Completed form
- Information to include on RDC Form:
 - RDC Bank claim is being made against
 - Check MICR line information
 - Both BOFDs' endorsement information

Section 1: Claim of Loss Amount and Item Detail		
Amount of Item / Claim <small>Claim must equal the amount of the item</small>	\$36.58	
Date Became Aware of Claim	08/13/2018	
Bank's Name	Test Alf Bank	
9 Digit Routing Number	065555228	
BOFD ABA that accepted the RDC¹	444444442	
BOFD Name that accepted the RDC	Bank With Us	
Drawer's/Maker's Account Number	3100612458	
Check Number	1958	
BOFD Endorsement Date	Paper 08/06/2018	RDC 08/07/2018
BOFD Sequence Number	Paper 7000193609	RDC 1360406107
Date and method item was charged	Date 08/13/2018	<input checked="" type="checkbox"/> PAID Adjustment <input type="checkbox"/> Return Letter



RDC Indemnity - Other BOFD?

- If check is returned as a duplicate, paper Depository Bank may initiate an adjustment to identify mRDC for RDC Indemnity Claim
 - FRB – SOR
 - Within 20 business days, requested information will be provided within 3 business days
 - After 20 business days to 1 year from return cash letter date, requested information will be provided within 20 business days
 - ECCHO – Source of Receipt Item Information Adjustment Claim
 - Up to 1 year without entry
 - Paying Bank must respond within 20 business days from date of request



Electronically-Created Item (ECI)

- Reg CC defined term – “Electronically-created item means an electronic image that has all attributes of an electronic check or electronic returned check but was created electronically and not derived from a paper check”
 - Section 229.2(hhh)
- Purpose: To protect ECI transferee bank from certain losses
 - ECI indemnity provided by any bank that transfers an ECI to another bank
 - Applies to BOFD, collecting and presenting banks
 - Bank that transfers ECI indemnifies transferee bank from losses arising from:
 - Unauthorized item: Item was not authorized by the account holder
 - Duplicate payment: Item has already been paid
 - ECI not derived from paper check; potential Reg E considerations



Electronically-Created Item (ECI)

- Electronic image that has all the attributes of an electronic check or electronic returned check but was created electronically not derived from a paper check
 - ECI not considered a check under Reg CC
- Unauthorized ECI
 - Paying Bank alleges ECI was not authorized by the person on whose account the electronic item was created in the amount stated on the item or to the Payee stated on the item



UECIs Warranty Claim

- Fed: UECI
 - 90 calendar days: Same day acknowledgement; entry within 20 business days
 - After 90 calendar days: Same day acknowledgement; no entry must deal direct
 - Due to COVID-19
 - 150 calendar days: Same day acknowledgement; entry within 20 business days
 - After 150 calendar days: Same day acknowledgement; no entry must deal direct
- ECCHO: WIC for ECI
 - One year; immediate entry



Other Fed Adjustment Types

- Disposition (DISP)
- Duplicate Entry (DUP)
- Information Request (INFO)
- Listed not Enclosed (LNE)
- Missing Cash Letter (MCL)
- Non-Conforming Image (NCI)
- Not Our Item (NOI)
- Original or Sufficient Copy Request (OSCR)
- Photo in Lieu (PIL)
- Photocopy Request (PREQ)
- Source of Receipt (SOR)
- WIC - Check 21 or Electronically Create Items (ECIs)



Other ECCHO Adjustment Types

- Adjustment Reversal
- Disposition of Item
- Expedited Recredit
- Mis-matched MICR
- Non-Conforming Image (NCI)
- Not Our Item
- Other
- Pricing Error Adjustment
- Request for Information
- Request for Original or Sufficient Copy
- Return Adjustment
- Source of Receipt Item
- WIC for Check 21 Warranty Breach Claim



Wrong Payee Credit: ECCHO and FRB

	Adjustment Reason	Deadline (Ranges)	Min \$	With Without Entry	Dr /Cr	Party who can Make Adj	Party to whom Adj Can be made	Information Needed	Group Adjust
25	Wrong Payee Credit	180 C	Federal Reserve minimum	W Entry	Cr	N/A	N/A	Copy of check, Maker name, Check number, Account on Check	No
25a	Wrong Payee Credit	181 C – 1 year	Federal Reserve minimum	W/O Entry	Cr	N/A	N/A	Copy of check, Maker name, Check number, Account on Check	No



Late Claim and Late Return Disclaimers

Adjustments Common Issues



Late Claim (LC) rule

The Uniform Commercial Code, Regulation J, and Section 229.30© of Regulation CC, “requires ‘expeditious’ return of checks. A paying bank returns a check expeditiously if it returns the check to the depository bank within two business days of presentment...in the same manner as it would have sent the check forward...”.



Common Reasons Stated on Late Returns adjustments

Forgery/Fraudulent
Altered/Fictitious
Missing Endorsement



FRB Action on Disclaimers (LR)

- FRB allows passing of entries between parties
- No review of the reason why
- DIs are advised to deal direct

FRB Late Return Disclaimer Updates

- Frbsservices.org QRG – ITYP Description/Proper Usage page
 - Additional statement added: “If you returned the check within the deadline and want to dispute a Claim of Late Return (LC), submit an LR to the Federal Reserve”
 - Added direct link to Regulation CC

Please refer to [Regulation CC](#) for paying bank's responsibility for return of checks.

- FRB Late Return Disclaimer Form
 - Removed misleading verbiage on FRB form
 - Removed reason/explanation box on FRB form



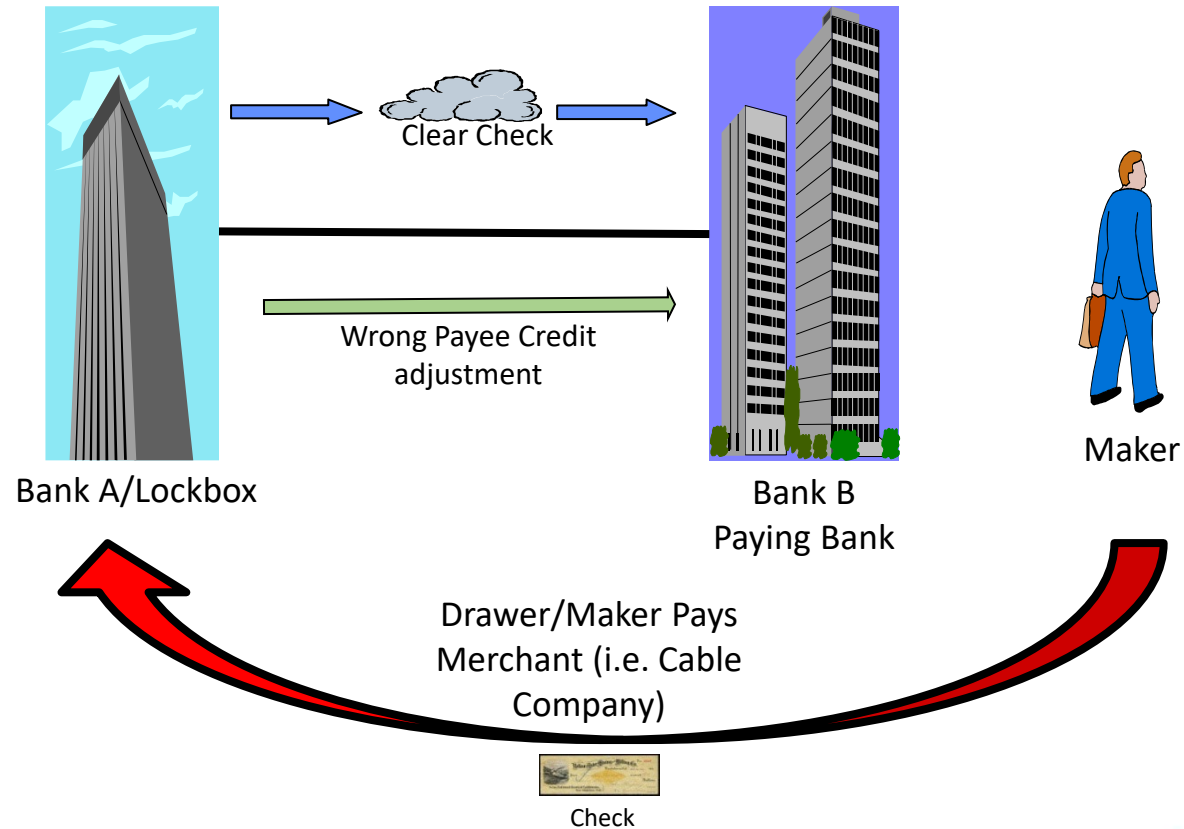
ECCHO Late Return Disclaimer Updates

- ECCHO has updated language around disclaiming a Late Return Claim Adjustment. An FI should not disclaim if they were truly late in returning the check
 - Beyond midnight of the day following presentment
- Created new Late Returns Disclaimer Form to be used as an attachment to disclaimer of a Late Return adjustment



Wrong Payee Credit

- Lockbox Indorse and Credit Phone Company and clear check
- Phone Company Notifies Lockbox of error
- Lockbox reimburse Maker through Bank B



FRB Updated Investigation Types (ITYP)

- New ITYPs to allow customers to select actual investigation type rather than WIC I-type
 - RDC
 - UECI
 - URCC
- The Check Adjustments Automated Status Report will also reflect the unique 'Expected New Action' dates for each ITYP as follows:
 - RDC = 20 business days
 - UECI = 20 business days
 - URCC = 5 business days
 - WIC = 80 business days



RDC Common Issues



The RDC form was not provided by sender

- 10% of cases returned



Both items not processed through the FRB

- 31% of cases returned



Incomplete information on the required FRB Form or Adjustment Case

- 33% of cases returned



RDC ABA on form does not match our BOFD ABA

- 22% of cases returned



FRB PAID & SOR for RDC Indemnity

- For Paid Item (PAID) Adjustment and Source of Receipt (SOR) cases when the information is electronically available to FRB
 - FRB to provide information:
 - BOFD ABA
 - BOFD sequence number
 - BOFD cash letter date
 - SOR will replace an INFO when BOFD information is needed
 - Went into effect March 21, 2022



FRB Contact information for Certain Case Types

- Comments section of Paid Item (PAID), Non-Cash Item (NCH), Non-Confirming Item (NCI) and Late Return Disclaimer (LR) case types will include the following information from the institution that submitted the case:
 - Sender ABA (SNDR)
 - Contact Name (CNTC)
 - Contact Phone Number (TELE)
 - Sender Reference Number (SREF)
- Contact information will only be provided for FedForward® and FedReturn® Services
 - Institutions that want inquiries to be sent to one central phone number should include that phone number when submitting case



Resources

- FRB Services
 - Federal Reserve Adjustments Quick Reference Guide
 - FRB Operating Circular 3
 - Federal Reserve Account Executives
 - www.frbServices.org
- ECCHO Rules
 - www.eccho.org
- Regulation CC – Availability of Funds & Collection of Checks
 - [eCFR :: 12 CFR Part 229 -- Availability of Funds and Collection of Checks \(Regulation CC\)](http://www.ecfr.gov/titles12/title12part229/availability-of-funds-and-collection-of-checks-regulation-cc)
- Uniform Commercial Codes 3 & 4
 - www.law.cornell.edu



Questions



Contact Information

Payments Hotline
(415) 373-1200
info@wespay.org

Member Services
Phone: (415) 433-1230
memberservices@wespay.org

Mailing Address
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www.wespay.org



www.linkedin.com/company/western-payments-alliance



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