eCheck Frequently Asked Questions

General eCheck Information

Question: **What network is used to process electronic checks?**

Answer: eChecks are processed through the Automated Clearinghouse (ACH) network, which is governed by Reg E and NACHA rules.

Question: **What types of accounts can be debited or credited using eCheck payments?**

Answer: Consumer checking, consumer savings, corporate checking, or savings accounts

Question: **Does the ACH network have an "authorization" like the credit card networks?**

Answer: No. With ACH, there is no means to confirm that a consumer has sufficient funds in his account, nor is there a means to hold the funds.

Question: **How does NACHA define authorization for eChecks?**

Answer: Authorization refers to the consumer's permission to debit or credit his account. NACHA's rules for obtaining and storing authorization vary based on the type of interaction with the consumer, e.g. web, call center. Please refer to the 2-page eCheck NACHA Requirements summary document included in this Welcome Kit for more information.

Question: What is Prenotification?

Answer: Prenotifications are non-monetary transactions sent to the ACH network to help ensure the appropriate posting of subsequent entries. Typically you use Prenotifications during the customer set up process, in advance of taking an order, to determine if the consumer provided valid bank account information. This is helpful since the ACH network has no authorization mechanism like the credit card brands.

The possible ACH network responses to a prenotification are as follows:

- **No response** - applies when the account is open and the account information is correct.
- **Notification of Change** - provides updated account information, including correct routing number, e.g. C02 Incorrect routing/transit number (visible in the SSR eCheck NOC report).
- **Return code** - provides account status, e.g. R02 Account is closed, R03 No account on file, R04 Invalid account number.

NOTE: **Prenotification transactions are only supported in LitleXML V9.1 or above and only in Batch submissions.**

Question: How soon after I submit a prenotification can I submit a live entry (debit or credit)?

Answer: The settlement date of a prenotification is the day after it is submitted to the network. Per NACHA rules, if you did not receive a NOC or return in response to the prenotification by the second banking day following the settlement day, you can submit the live entry on the third banking day after the prenotification settlement day. However, given the processing timing in our system, you need to wait an additional day before submitting a live entry, i.e. do not submit live entries until the fourth banking day after the prenotification settlement day. If you receive a NOC or return, you must modify the account information prior to sending a live entry. If the account is closed, do not send an entry.

Question: Are one time payments supported?

Answer: Yes. Per NACHA rules, one-time payments can be made via call center or the web.

Question: Are recurring payments supported?

Answer: Per NACHA rules, recurring payments can be made via call center or the web.

Question: What is an eCheck return?

Answer: See Returns section for details.

Question: What is an eCheck Notification of Change (NOC)?

Answer: NOCs are account update notices sent automatically by receiving banks through the ACH network to advise that account data sent in the original eCheck transaction is either incorrect or has been changed. Per NACHA rules, merchants are required to use the NOC data to update their systems within 6 banking days or prior to sending subsequent transactions for the same account, whichever is later. Updates are pushed to the merchant unlike credit card AU where the merchant requests the updates, i.e. eCheck NOCs do not require service subscription.

NOTE: On September 30, 2013, NACHA relaxed the NOC rule of single entry debits (i.e., you are not required to change the information in your systems.) However, it is still good practice to change the information in the event you get repeat business from the same consumer/corporate account holder.

Question: Does NACHA define any limits related to NOCs?

Answer: NACHA does not have any limits for NOCs; however, receiving banks can file complaints with NACHA if merchants ignore NOCs and send transactions with outdated information such that NACHA may impose non-compliance fines as they see fit.

Question: **Where can I get more information about the NACHA rules?**

Answer: Please refer to the 2-page eCheck NACHA Requirements summary document included in this Welcome Kit. You can also go to NACHA's website: http://www.nacha.org/ or your regional ACH chapter's site.

Question: **Where can I find a current list of valid routing numbers?**

Answer: Vantiv uses the Federal Reserve database, which is accessible at this link: http://www.fededirectory.frb.org/FedACHdir.txt.

Vantiv eCheck Offering

Question: **What functionality is included in Vantiv's eCheck offering?**

Answer: Vantiv's eCheck offering includes the following functionality:

- **Returns:** Receiving/consumer banks can reject debit or credit entries for a variety of reasons, e.g. insufficient funds, account closed, authorization revoked, etc. This is referred to as a return. Returns are provided to merchants via reports in the iQ Reporting and Analytics system. In addition to paying a fee per return received, merchants are liable for the amount of all returned transactions, i.e. returns negatively impact daily settlement.

- **Notifications of Change (NOC):** NOCs are account update notices sent automatically by receiving banks through the ACH network in response to receiving a transaction with outdated or incorrect data. Each day you should retrieve the *eCheck Notice of Change Update Report* from the Scheduled Secure Reports (SSR - an automated service designed to create predefined reports available in your merchant FTP account for retrieval). The information provided in the report allows you to make the necessary system updates to comply with NACHA rules, prevent future NOCs, and reduce Automatic Account Updater fees. Per NACHA rules you are required to use the NOC data to update your systems prior

to sending subsequent transactions for the same account (see Note below).

- **Automatic Account Updater:** Vantiv stores account mappings based on Notifications of Change (NOCs) received from the network and automatically updates any subsequent transactions sent with outdated account data. This prevents future NOCs and potential fines from NACHA.

NOTE: **On September 30, 2013, NACHA relaxed the NOC rule of single entry debits (i.e., you are not required to change the information in your systems.) However, it is still good practice to change the information in the event you get repeat business from the same consumer/corporate account holder.**

Question: **What optional features are available?**

Answer: The following optional features are available:

- **Prenotifications:** During the customer set up process, in advance of taking an order, merchants can submit prenotifications to determine if the consumer has provided valid bank account information. This is helpful since the ACH network has no authorization mechanism like the credit card brands. Prenotifications are non-monetary transactions sent to the ACH network to help ensure subsequent entries are posted appropriately. If there are changes to report, the ACH network provides a Notification of Change (NOC) and if the account is closed or invalid, a return is provided. If there are no changes to report, the ACH network provides no response (i.e., no response by the ACH network indicates the account information is correct).

- **Automatic Redeposits:** Although there is no means for representment as there is with credit cards, NACHA allows the resubmission of entries returned for insufficient funds or uncollected funds (R01 and R09) two additional times. By enrolling in this optional service, Vantiv will automatically resubmit eligible entries on a merchant's behalf in a preconfigured timeframe defined by the merchant (x days after the return was received). This saves the merchant from generating the redeposits themselves and should improve their ability to capture sales.

- **Merchant Initiated Redeposits:** In lieu of Automatic Redeposits, you may chose to submit redeposits yourself. This is done by referencing the original deposit transaction ID in your submission. Vantiv prevents you from redepositing more than the allowable two times (NACHA rule). Initiating redeposits yourself allows you to vary the redeposit timing per transaction and eliminates any premium assessed for Automatic Redeposits.

- **Verification:** Unlike the credit card networks, the ACH network has no equivalent authorization mechanism where funds are confirmed and held prior to capturing a sale. Given this limitation it is imperative to employ risk mitigation tools that validate the account to reduce returns, thus increasing settlement. With eCheck Verification, Vantiv queries a national, third party database to confirm if an account is closed and screen for any negative history of bounced checks or fraud. When verifications are declined, merchants are contractually obligated to notify the consumers to comply with the Fair Credit Reporting Act (FCRA). The specific decline notice language is dictated by our verification provider, Certegy, and is included in the eCheck contract addendum/ amendment.

  Verifications can be processed online or batch. Performing an online verification provides real time approval or rejection such that you can request another form of payment prior to completing the order. Verifications can be submitted as a standalone transaction or as a "conditional sale". Sending "conditional sales" prevents Vantiv from submitting deposits that failed verification.

- **Vault/Tokenization:** By replacing the sensitive account data with a token, the Vault can significantly reduce merchant risk and exposure in case of a data breach. Tokens are valid only between the merchant and Vantiv, thus they are useless when lost or stolen. eCheck tokens replace the account number, but represent the routing number-account number combination since account numbers alone are not unique. eCheck tokens are 17 digits regardless of account number length. In addition to the token, we return the last 3 digits of the account number for display purposes. Merchants send the routing number and token on subsequent transactions. When a NOC is received, we automatically generate a new token and send it in the NOC response. Merchants using eCheck tokenization send

the routing number and token. The standard fee applies for each token generated.

Question: **Which NACHA Standard Entry Class Codes (SEC) does Vantiv support?**

Answer: Vantiv supports the following NACHA Standard Entry Class Codes (SEC):

- **WEB** (Internet Initiated Entry) for web based transactions
- **TEL** (Telephone Initiated Entry) for call center based transactions
- **PPD** (Prearranged Payment and Deposit Entry) for refunds to consumer or corporate accounts.
- **CCD** (Corporate Credit or Debit) for corporate checking or savings account debit or credits made via the web or a call center.

NOTE: **No paper check SECs are supported at this time, e.g. ARC, BOC, POP.**

Question: **How are eCheck transactions reflected in the iQ Reporting and Analytics system?**

Answer: eCheck transactions are reflected in the existing Activity, Settlement and Batch Reports with other methods of payment. eCheck fees are included in the existing Fee Report. eCheck return amounts are displayed with Chargebacks in the Settlement and Activity Reports. Specific returns are shown in Returns Received Report and Chargeback & eCheck Return Financial Report. eCheck Returns are also displayed in eCheck specific reports as described in the next question.

The Payment Detail screen includes the following:

- eCheck Return reason code, description, and return date are tied to the original payment in the Payment Detail screen.
- Redeposits are tied to original deposit transactions with a Grouping ID in Transaction Detail screen. This is also true for Merchant Initiated Redeposits, if you follow the LitleXML spec for this feature.

Additionally, there are some eCheck specific reports in the UI described in the next question.

Question: **Are there any eCheck specific reports in the iQ Reporting and Analytics system?**

Answer: The UI supports the following eCheck specific reports:

- **NACHA Unauthorized Returns Report** provides the unauthorized return rate; helps you monitor and stay below the 1% NACHA threshold
  - NACHA Unauthorized Returns by Reporting Group Summary provides the unauthorized return rate by Reporting Group to help you pinpoint and address business areas of concern
- **eCheck Returns Received Report** lists all returned transactions along with the reason in a timeframe specified by the user up to one month
- **eCheck Returns Received Summary Report** by Reporting Group displays the number of returns received for each Reporting Group
- **Pending eCheck Redeposits Report** lists all future redeposits in the queue along with their original transaction date, the date they were returned (limited to NSF (R01) and uncollected funds returns (R09) per NACHA rules), and the date they are scheduled for redeposit
  - Session and Batch Report shows "Vantiv Initiated" batches on the day redeposits are made (these batches include automatic redeposits only)

Question: **Are eCheck transactions processed over the weekend?**

Answer: Online verifications can be processed any day of the week. eCheck sales and refunds can be submitted any day of the week, but the associated funds only settle on open bank days (i.e. eCheck funds will not settle on Saturdays, Sundays or bank holidays.) eCheck voids can be submitted any day of the week - whether or not they cancel a sale, refund or redeposit is dependent on the status of the transaction you are trying to void (i.e. if it is already in progress, you cannot void it.)

Question: Is eCheck supported on PTI?

Answer: The majority of eCheck functions and features are supported on PTI 80, 96 and 120, but there are some limitations as described below. You need to move to LitleXML to process recurring TEL transactions and to take advantage of eCheck tokenization and Verification service.

- NOC report via Scheduled Secure Reports (SSR - an automated service designed to create predefined reports available in your merchant FTP account for retrieval) is supported

- Automatic Account Updater: Vantiv will update outdated account data prior to sending transactions into the network, but you will not receive any per transaction indication that has been done. The only way you'll know we've made the changes is through the counts displayed in the Fee report. Using LitleXML, you will receive the updated account information in the response message for the individual transactions.

- Automatic Redeposits are supported

- Merchant Initiated Redeposits are supported, but you cannot pass the cycle count in the transaction such that Vantiv will prevent you from exceeding two redeposits (NACHA rule).

Question: Is online processing supported?

Answer: Yes. Both batch and online processing are supported for eCheck transactions.

Question: Can I use a virtual terminal to send eCheck transactions?

Answer: Yes

Question: Can I void an eCheck transaction?

Answer: Yes, you can void a deposit, refund, or automatic redeposit. The void will be processed as long as the transaction is not

already in progress; voids should be sent prior to daily cutoff time.

eCheck Returns & Redeposits

Question: **What is an eCheck return?**

Answer: Receiving/consumer banks can reject debit or credit entries for a variety of reasons (e.g., insufficient funds, account closed, authorization revoked, etc.) This is referred to as a return. Merchants are liable for the amount of all returned transactions (i.e., returns negatively impact daily settlement). Per NACHA rules receiving banks are supposed to send returns within 2 banking days of settlement.

Question: **What is an unauthorized eCheck return?**

Answer: Consumers can submit a claim to their bank revoking authorization or stating they never gave authorization for a transaction in the first place. Upon receipt of such claim, the bank sends an unauthorized return through the ACH network to the merchant. Per NACHA rules receiving banks are supposed to send unauthorized returns within 60 banking days of settlement; however, the banks can accept consumers' claims beyond 60 days.

Question: **Can I dispute an eCheck return?**

Answer: No. The ACH network has no dispute resolution process. The only means to resolve an issue with an eCheck is to work with your customer. Note: This excludes the ability to redeposit entries returned for insufficient funds (R01) or uncollected funds (R09).

Question: **Can I represent an eCheck return?**

Answer: Although there is no representment process similar to credit cards, NACHA allows the resubmission of entries returned for insufficient funds (R01) or uncollected funds (R09) two

additional times. Resubmissions must be sent within 180 days of settlement of the original entry.

Question: **Does NACHA define any limits related to eCheck returns?**

Answer: NACHA requires merchants to keep their unauthorized return rate below 1%. If a merchant exceeds this limit, NACHA may impose non-compliance fines. There are no limits on other types of returns. The unauthorized return rate is computed by dividing the number of debit entries returned as unauthorized for the preceding 60 days or 2 calendar months by the total number of debit entries originated for the preceding 60 days or 2 calendar months.

Question: **When will I receive eCheck returns?**

Answer: Per NACHA rules, receiving banks are supposed to provide returns within 2 banking days of settlement, but merchants processing eChecks often see returns later than this. The 2-day rule applies to all but unauthorized returns, which can be provided up to 60 banking days after settlement per NACHA rules. It is important to note that unauthorized returns could be received later than 60 days since it is up to the receiving bank's discretion whether or not to accept a claim by the consumer.

Question: **When will I have visibility into my eCheck returns?**

Answer: Visibility is delayed by one day, e.g. returns received from the ACH network by Vantiv on Monday will be visible to you in the UI on Tuesday.

Question: **I am a hard goods merchant. Given the timing of returns, when should I ship product for an eCheck order?**

Answer: Vantiv recommends waiting 7 days after settlement.

Question: **Does Vantiv support any mechanism for monitoring my unauthorized return rate?**

Answer: Yes, the iQ has two reports. Recall that NACHA requires merchants to keep unauthorized returns below 1%. If a merchant exceeds this limit, NACHA may impose non-compliance fines. The unauthorized return rate is computed by dividing the number of debit entries returned as unauthorized for the preceding 60 days or 2 calendar months by the total number of debit entries originated for the preceding 60 days or 2 calendar months, respectively. Based on this definition, the return rate may be skewed high for the first 60 days of processing eCheck.

- **NACHA Unauthorized Returns Report**: displays the unauthorized return rate for a user entered date; the system automatically calculates the beginning of the 60 day window. Although NACHA is only concerned about the volume of unauthorized returns and not the dollar value, our Unauthorized Returns Report also shows you the dollar value of these returns and the return rate as a percentage of the sales during the timeframe.
- **NACHA Unauthorized Returns Report** by Reporting Group: displays the same information by Reporting Group

Question: **Can I represent an eCheck return?**

Answer: Although there is no representment process similar to credit cards, NACHA allows the resubmission of entries returned for insufficient funds or uncollected funds (R01 and R09) two additional times within 180 days of settlement of the original entry.

Question: **How does Vantiv's Automatic Redeposit feature work?**

Answer: This is an optional service that requires you to specify one or two redeposits and the timeframe for each. Upon receipt of an insufficient funds (R01) or uncollected funds (R09) return, Vantiv automatically queues a redeposit transaction in the timeframe you define (e.g. 3 days later, days are banking days.) Vantiv then submits the queued redeposits on the

scheduled date. If you are configured for two redeposits and a second R01 or R09 return is received, Vantiv automatically queues a second redeposit transaction in the timeframe you define. The timeframe for the second redeposit can be the same or different. If another R01 or R09 return is received, you have no additional recourse except to deal with the consumer.

For example, you are configured for two redeposits with 3 day and 4 day intervals respectively. You send a deposit on Monday, 10/1. It settles into your account on Wednesday, 10/3, but an R01 return is received on Friday, 10/5. The system automatically queues the first redeposit for 3 (banking) days later. Vantiv submits the redeposit on Wednesday, 10/10. An R01 return is received on Friday, 10/12. The second redeposit is automatically queued and then sent to the network by Vantiv 4 days later on Thursday, 10/18. The deposit settles on Friday, 10/19. If another R01 return is received, the only recourse is to work with the consumer.

Question: Can I submit redeposits myself?

Answer: Yes. In lieu of Automatic Redeposits, you may choose to submit redeposits yourself. We refer to this as Merchant Initiated Redeposits. This is done by referencing the original deposit transaction ID in your submission. Vantiv prevents you from redepositing more than the allowable two times (NACHA rule). Initiating redeposits yourself allows you to vary the redeposit timing per transaction and eliminates any premium assessed for Automatic Redeposits.

Question: Does NACHA have any rules about the timing for submitting redeposits?

Answer: Redeposits must be submitted within 180 days of settlement of the original entry.

Question: Do I have visibility into queued redeposits in the iQ Reporting and Analytics system?

Answer: The Pending eCheck Redeposits Report lists all automatic

redeposits in the queue along with their original transaction date, the date they were returned, and the date they are scheduled for redeposit. The report does not reflect Merchant Initiated Redeposits. Queued redeposits are removed from this report and are reflected in the Session and Batch Report in "Vantiv Initiated" batches on the day they are submitted. Vantiv Initiated batches include automatic redeposits only.

Question: **Can I void an eCheck automatic redeposit?**

Answer: Yes, as long as the transaction has not yet settled. This applies to both automatic redeposits and merchant initiated redeposits. This is only supported in online mode, not batch mode.

Verification Service

Question: **How does eCheck Verification service work?**

Answer: With eCheck Verification, Vantiv queries a national, third party database to determine if an account is closed and screen for any negative history of bounced checks or fraud. Upon receipt of a verification transaction or a conditional sale, Vantiv sends a query to Certegy's PayNet database (formerly known as SCAN). Based on their response, we pass an approval, decline, or administrative response to you.

Question: **Is an approved verification a guarantee that an eCheck will settle?**

Answer: No. Verifications are a means to mitigate risk, but they do not guarantee the check will settle. The only way to do so is to use check warranty/check guarantee service from Certegy or another provider; these services tend to have fees that are comparable or even higher than interchange.

Question: **Does Verification service cover all US bank accounts?**

Answer: The third party database queried (Certegy) has account

closed information for 80-90% of all US bank accounts. This information is updated daily from Early Warning Systems. It does not include a list of open accounts.

Question: **Is there such a thing as a soft decline of a verification?**

Answer: No. Verifications are either approved or declined or not processed for some administrative reason.

Question: **Do I need to inform the consumer when a verification is declined?**

Answer: Yes. In order to comply with Fair Credit Reporting Act (FCRA), merchants are contractually obligated to notify the consumers when a verification is declined. The specific decline notice language is dictated by Certegy, our verification provider, and is included in the eCheck contract addendum/ amendment. Merchants are required to provide this notification verbally, electronically, or via US mail. Refer to the eCheck contract addendum/amendment or the LitleXML guide for the specific language.

Question: **Can I change the decline notification language?**

Answer: No. By contract you must communicate it exactly as stated. Though we don't anticipate frequent changes, Certegy could change this language at which point you will be notified.

Question: **Are online verifications supported?**

Answer: Yes. Performing an online verification provides real time approval or rejection such that you can request another form of payment prior to completing the order.

Question: **Are conditional sales supported?**

Answer: A conditional sale is a single transaction instructing Vantiv to perform verification prior to sending a transaction into the

ACH network. Sending "conditional sales" prevents Vantiv from submitting deposits that failed verification.

Notifications of Change & Automatic Account Updater

Question: **How do I access Notification of Change (NOC) data?**

Answer: Each day you should retrieve the *eCheck Notice of Change Update Report* from the Scheduled Secure Reports (SSR - an automated service designed to create predefined reports available in your merchant FTP account for retrieval). Please contact your Customer Experience Manager with any questions.

Question: **How does eCheck Automatic Account Updater work?**

Answer: Every time you receive a Notification of Change (NOC), Vantiv stores the account mapping in our system. Account mappings are stored by merchant and are not shared across merchants. When you send an eCheck transaction, we check the account information mappings to see if there are any updates. We correct any outdated information prior to sending the transaction into the ACH network. We send the updated account information in the response to you.

Question: **Why is eCheck Automatic Account Updater mandatory?**

Answer: NACHA rules require merchants (Originators) to update their system within 6 banking days of receipt of a NOC or prior to initiating another entry to the receiver's account, whichever is later (see Note below). As a Third Party Sender, Vantiv is bound by the NACHA rules and must ensure that entries we send to the network include correct information. Therefore, we will automatically update any entries sent with outdated information. This is done by using the NOCs received to create a mapping table. The information is stored by merchant. Account mappings are not shared across merchants.

NOTE: **On September 30, 2013, NACHA relaxed the NOC rule of single entry debits (i.e., you are not required to change the information in your systems.) However, it is still good practice to change the information in the event you get repeat business from the same consumer/corporate account holder.**

Implementation

Question: **Do I need to make coding changes to implement eCheck?**

Answer: Maybe. It depends upon the version of LitleXML you implemented and whether you coded for eCheck transaction. As shown in the following table, some eCheck features/functions require minimum levels of LitleXML. For example, coding to version 8.8 or above is required to send recurring call center transactions (TEL Recurring).

Feature/Function	LitleXML Coding Requirement
Sale/Refund * (TEL Recurring is an exception - see below)	No
Sale/Refund for TEL Recurring	Yes - Requires LitleXML V8.8 or above.
Returns	No
Notification of Change	No, but Requires SFTP account.
Automatic Account Update	No, but LitleXML is required to receive updated account info in response.
Automatic Redeposits	No
Verification	Per Verification
Prenotification	Yes - requires LitleXML V9.1 or above.

Question: **What else do I need to do to implement eCheck?**

Answer: You need to sign the two page eCheck contract amendment that includes eCheck pricing, eCheck terminology definitions, language regarding verification service, and language related to obtaining consumer authorization for compliance with NACHA rules.

Financial

Question: **When do eCheck funds settle?**

Answer: Next day settlement is possible for your eCheck funds, if your credit cards settle next day **and** your cut-off time is 7:30 PM EST or earlier. For later cut-off times, eCheck funds settle in two days. If your credit cards settle in 2 or 3 days, then your eCheck transactions will settle at the same time.

Question: **What is the pricing structure for eCheck?**

Answer: Price structure is as follows:

- Vantiv fees only; no interchange or pass through fees
- Per transaction or item received (see table below)
- The eCheck contract addendum/amendment includes all pricing elements. The optional services are included even if you are not currently using them to eliminate the need for another amendment if you choose to add these services later.

Feature/Function	Unit	Mandatory/Optional
Sales/Refund	Per Transaction	Mandatory
Returns	Per Return received	Mandatory
Notification of Change	Per NOC received	Mandatory
Automatic Account Updater	Per Transaction updated by Vantiv	Mandatory
Prenotifications	Per Prenote submitted	Optional
Automatic Redeposits	Per Redeposit	Optional
Verification	Per Verification	Optional

Question: **Which currencies are supported?**

Answer: Only USD is supported as purchase and settlement currency.

Question: **Are eCheck transactions included in the reserve calculation?**

Answer: Yes.

Miscellaneous

Question: **Are custom billing descriptors supported?**

Answer: No. Given NACHA format limitations, custom billing descriptors cannot be used with eChecks.

Question: **What billing descriptor is shown on the consumer's bank statement?**

Answer: There is a 16 character field used to display the merchant's default eCheck billing descriptor and a 10 character field used to display the merchant's customer service number. Unfortunately these field lengths are defined by NACHA such that they are not extensible. Thus, the phone number will not have dashes.

Question: **Is Check 21 supported?**

Answer: No.