



# How Do I Return That?

Presented by:

**Macha/PAR – Everything Payments - Everywhere**

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# Agenda

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ACH Returns

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Contested and Corrected Dishonored Return Reason Codes

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ACH Return Case Studies



## What is an ACH Return?

A return entry is used when the RDFI is unable to post an ACH transaction or when an entry is being disputed.



# What can we return?

The ACH Rules allow an RDFI to return any entry for which there is a valid Return Reason Code. For example:

- Incorrect information that prevents the RDFI from identifying the correct account (receiver) (Name and account number do not have to match, can post based solely on SEC code and account number)
- A change in the account relationship (death of a receiver or closure of an account)
- Insufficient or uncollected funds in the Receiver's account
- An entry that the receiver did not authorize or has revoked authorization.



WHICH ONE

When returning an entry, always select the Return Reason Code that most accurately reflects the reason for return. In doing so, you will effectively communicate to the ODFI and their Originator the appropriate action to take.

# General Return Timeframe

A return entry must be transmitted so that it will be made available to the ODFI no later than the opening of business on the second banking day following the Settlement Date of the original entry.



# Extended Return Timeframe

An extended timeframe return entry must be transmitted so that it will be made available to the ODFI no later than the opening of business on the banking day following the 60<sup>th</sup> calendar day following settlement date of the original entry.





An entry may not be returned prior to the original settlement date





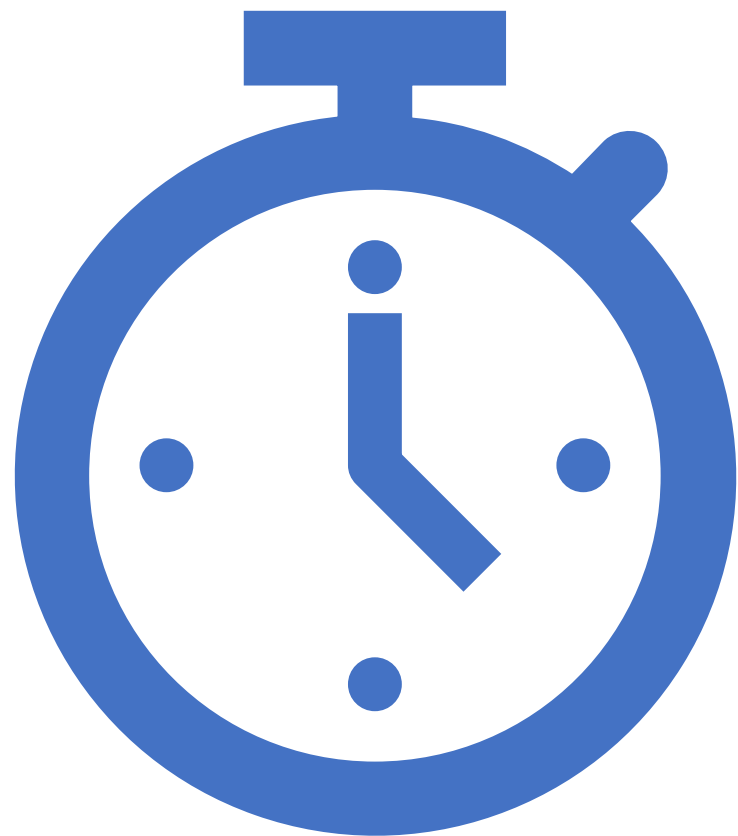
# General Timeframe Returns

# General Timeframe Return Reason Codes

- **R01-Insufficient Funds**-Available balance is not sufficient to cover the dollar value of the debit entry.
- **R02-Account Closed**-A previously active account has been closed by the customer or the RDFI.
- **R03-No Account/Unable to Locate Account**-Account number structure is valid but does not correspond to the individual identified in the entry or is not an open account.
- **R04-Invalid Account Number**-Account number structure is not valid; entry failed check digit validation or may contain an incorrect number of digits.
- **R08-Payment Stopped**-Receiver of a debit transaction has stopped payment on a specific ACH debit.
- **R09-Uncollected Funds**-Sufficient book or ledger balance exists to satisfy dollar value of the transaction, but the dollar value of transactions in process of collection brings the available or cash reserve balance below value of the debit entry.
- **R12-Account Sold to Another DFI**-Financial institutions may continue to receive entries destined for an account that has been sold to another financial institution.

# General Timeframe Return Reason Codes

- **R16-Account Frozen**-Access to account is restricted due to specific action taken by the RDFI or by legal action; or OFAC has instructed the RDFI to return the entry.
- **R17-File Record Edit Criteria/Entry with Invalid Account Number Initiated Under Questionable Circumstances/Return of Improperly-Initiated Reversal**-(1) Fields cannot be processed by RDFI; (2) the entry contains an invalid DFI account number and is believed by the RDFI to have been initiated under questionable circumstances; (3) either the RDFI or Receiver has identified a Reversing Entry as one that was improperly initiated by the Originator or ODFI.
- **R20-Non-Transaction Account**-ACH entry is destined for a non-transaction account (as defined by Regulation D).
- **R23-Credit Refused by Receiver**-Receiver refuses credit entry.\*
- **R24-Duplicate Entry**-Trace number, date dollar amount and/or other data matches another transaction.
- **R29-Corporate Customer Advises Not Authorized**-RDFI has been notified by Receiver that entry was not authorized. (Non-consumer)
- **R39-Improper Source Document**-RDFI has determined the source document used for the ARC, BOC, POP entry to its Receiver's account is improper.



# Extended Timeframe Returns

# Written Statement of Unauthorized Debit (WSUD)

- A statement by a consumer declaring that a particular ACH transaction was unauthorized, improper or that authorization for the transaction had been revoked.
- An ODFI may request, in writing, a copy of the Written Statement of Unauthorized Debit (WSUD) up to one year from the date of the extended return.
- Upon receipt of a timely request, an RDFI must provide a copy of the WSUD within 10 banking days.
- The ACH Rules requires the financial institution to retain the original or a reproducible copy of the WSUD for one year from the Settlement Date of the extended return entry.

# Extended Timeframe Return Reason Codes

- **R05-Unauthorized Debit to Consumer Account Using Corporate SEC Code**-A CCD or CTX debit entry was transmitted to a Consumer Account and was not authorized by the receiver. (**WSUD**)
- **R06-Returned per ODFI's Request**-ODFI has requested RDFI to return the ACH entry (optional to RDFI); ODFI indemnifies RDFI.
- **R07-Authorization Revoked by Customer**-Consumer, who previously authorized ACH payment(s), has revoked authorization from Originator. (Prohibited use for ARC, BOC, POP and RCK) (**WSUD**)
- **R14-Representative Payee Deceased or Unable to Continue in that Capacity**-The representative payee authorized to accept entries on behalf of a beneficiary is either deceased or unable to continue in that capacity.
- **R15-Beneficiary or Account Holder Deceased**-(1) The beneficiary entitled to payments is deceased; or (2) the account holder other than a representative payee is deceased.
- **R31-Permissible Return Entry (CCD and CTX only)**-RDFI has been notified by ODFI that ODFI agrees to accept a return entry beyond normal deadline.
- **R33-Return of XCK Entry**-RDFI, at its discretion, returns an XCK entry.

# Extended Timeframe Return Reason Codes

- **R10-Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receiver's Account-** RDFI has been notified by Receiver that the Receiver does not know the identity of the Originator; has no relationship with the Originator; or has not authorized the Originator to debit his account. (**WSUD**)
  - ARC and BOC – signature on the source document is not authentic, valid, or authorized
  - POP – signature on the written authorization is not authentic, valid, or authorized
- **R11-Customer Advises Entry Not in Accordance with the Terms of the Authorization-**RDFI has been notified by Receiver that the Originator and Receiver have a relationship and an authorization to debit exists, but there is an error or defect in the payment such that the entry does not conform to the terms of the authorization. (**WSUD**)
  - Wrong amount, wrong date, part of an incomplete transaction or improperly reinitiated
  - ARC, BOC, POP – ineligible source document, notice was not provided, incorrect amount
  - Improperly initiated reversing entry
  - No affirmative action taken to initiate a subsequent entry to a Standing Authorization



# Extended Timeframe Return Reason Codes

## ARC, BOC and POP

- **R37-Source Document Presented for Payment**-The source document to which an ARC, BOC or POP entry relates has been presented for payment. **(WSUD)**
- **R38-Stop Payment on Source Document**-A stop payment has been placed on the source document to which the ARC or BOC entry relates. (Original stop payment form covers the return)

## RCK

- **R51-Item Related to RCK Entry is Ineligible or RCK Entry is Improper**-The item to which the RCK entry relates was not eligible, Originator did not provide notice of the RCK policy, signature on the item was not genuine, the item has been altered, or amount of the entry was not accurately obtained from the item. **(WSUD)**
- **R52-Stop Payment on Item**-A stop payment has been placed on the item to which the RCK entry related. (Original stop payment form covers the return)
- **R53-Item and RCK Entry Presented for Payment**-Both the RCK entry and the check have been presented for payment. **(WSUD)**

# Dishonored Returns



# Dishonored Returns

- A dishonored return is an ACH return transmitted by an ODFI in response to a returned ACH entry that was mishandled by the RDFI.
  - Untimely, misrouted, contains incorrect or incomplete information
- An ODFI dishonors a returned entry to either dispute the return for inappropriate handling or to advise the RDFI that an error in information prevents the entry from being identified.
- The addenda record of a dishonored return carries information that identifies the Return Reason Code and details the reason the entry was dishonored.
- A dishonored return must be transmitted by the ODFI within 5 banking days from the settlement date of the return entry.

# Dishonored Returns

- **R61-Misrouted Return**-RDFI of the original entry has placed the incorrect routing number in the Receiving DFI Identification field.
- **R62-Return of Erroneous or Reversing Debit**-Usage is limited to reversal scenarios in which the Receiver is unintentionally credited.
- **R67-Duplicate Return**-ODFI has received more than one return for the same entry.
- **R68-Untimely Return**-Return was not sent within the time frame established by the ACH Rules.
- **R70-Permissible Return Entry Not Accepted/Return Not Requested by ODFI**-ODFI has received a return identified as being returned with the permission of the ODFI (**R31**), but the ODFI has not agreed to accept the entry or ODFI has received a return entry (**R06**) which they did not request.
- **R69-Field Error(s)**-One or more of the field requirements are incorrect.
  - The ODFI must insert the appropriate code(s) from the list below, separated by an asterisk (\*), within the Addenda Information Field of the Addenda Record Format for Dishonored Returns to indicate the field(s) in which the error(s) occurred:
    - **01 - Return contains incorrect DFI Account Number**
    - **02 - Return contains incorrect Original Entry Trace Number**
    - **03 - Return contains incorrect Dollar Amount**
    - **04 - Return contains incorrect Individual Identification Number**
    - **05 - Return contains incorrect Transaction Code**
    - **06 - Return contains incorrect Company Identification Number**
    - **07 - Return contains invalid Effective Entry Date**

# Contested and Corrected Dishonored Returns

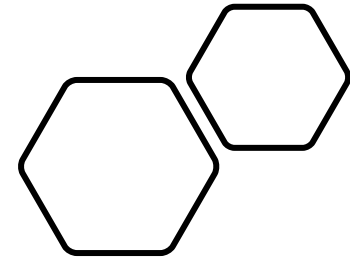


# Contested and Corrected Dishonored Returns

- A contested or corrected dishonored return is created in response to a dishonored return.
- The action required varies depending on whether the dishonored return was disputed or represents a need for a correction.
  - Contested = Dispute
  - Corrected = Correction
- The RDFI must respond within 2 banking days of the settlement date of the dishonored return.
- If the RDFI properly contests a dishonored return, the ODFI must accept the entry.
  - Further action must be taken outside of the ACH Network.

# Contested and Corrected Dishonored Returns

- **R71-Misrouted Dishonored Return**-ODFI has placed the incorrect routing number in the RDFI Identification field.
- **R72-Untimely Dishonored Return**-Dishonored return was not sent within 5 banking days of the settlement date of the return entry.
- **R73-Timely Original Return**-RDFI certifies that the original return was sent within the time frame designated in the ACH Rules.
  - **Contests R68-Untimely Return**
- **R74-Corrected Return**-RDFI is correcting a previous return that was dishonored because it contained incomplete or incorrect information.
  - **Corrects R69-Field Error(s)**
- **R75-Original Return Not a Duplicate**-The original return entry was not a duplicate of an entry previously returned by the RDFI.
  - **Contests R67-Duplicate Return**
- **R76-No Errors Found**-The original return entry did not contain the errors indicated by the ODFI in the dishonored return entry.
  - **Contests R69-Field error(s)**
- **R77-Non-Acceptance of R62 Dishonored Return**-RDFI returned both the erroneous entry and related reversing entry; or the funds related to the R62 are not recoverable from the Receiver.

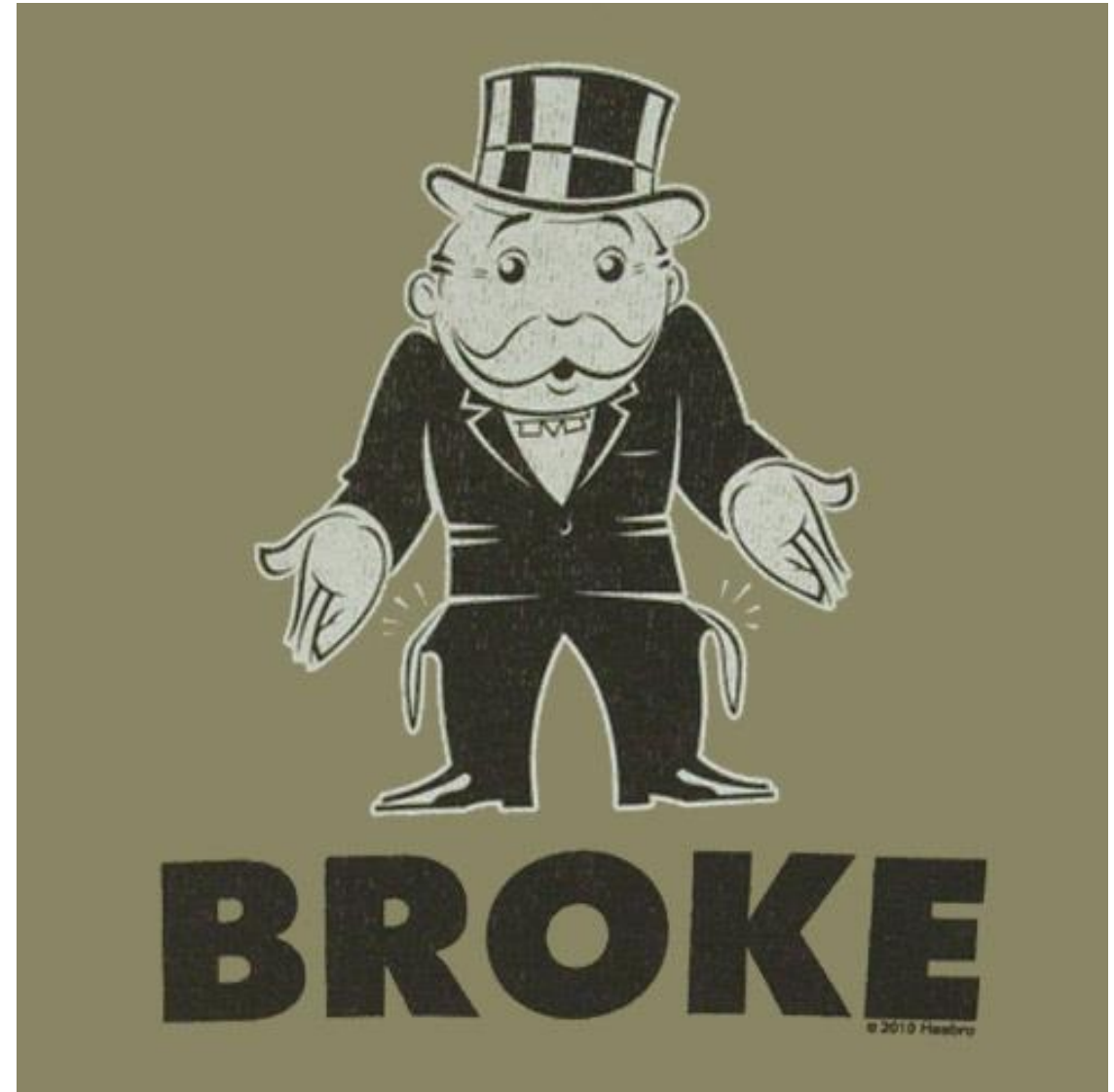


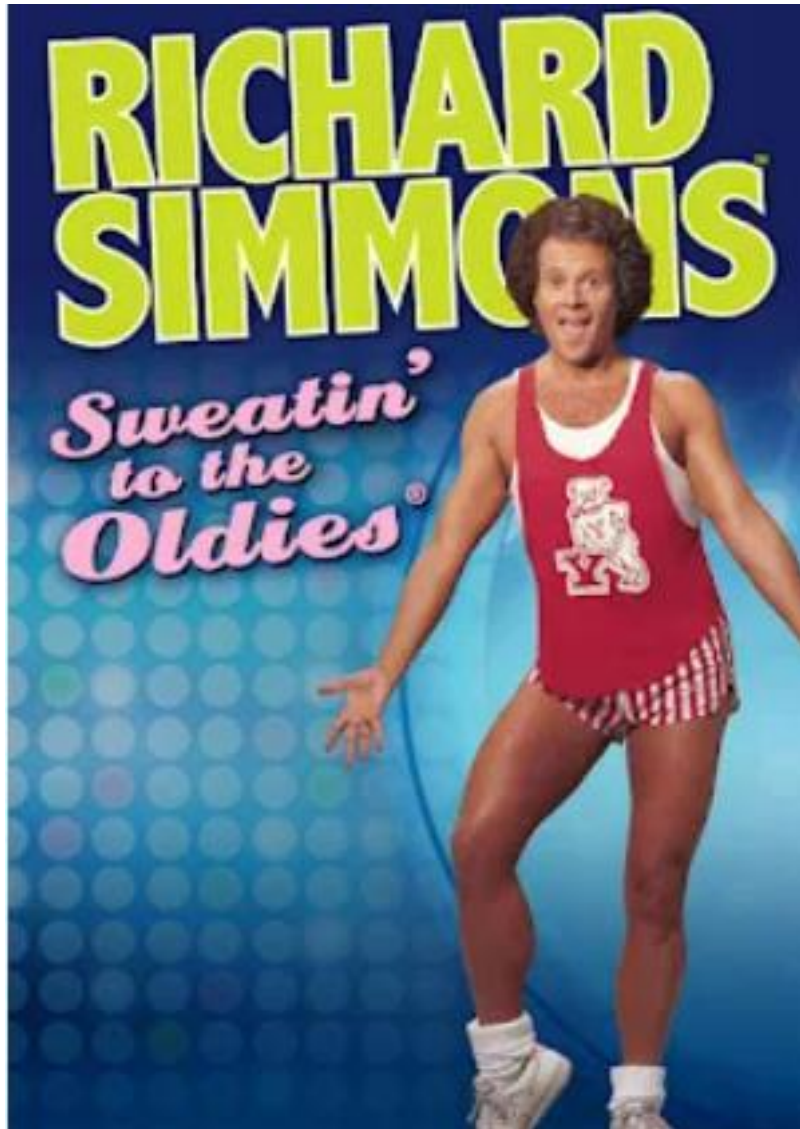


# A little short this week

Community Bank operations team is reviewing their exception items on Thursday morning. A debit was attempting to present against Mr. Monopoly's checking account but unfortunately there are not sufficient funds in the account to cover the amount of the debit.

What return reason code should be used to return the debit? **R01**





## Sweatin' to the Oldies in Heaven

Fitness Federal Savings was contacted to inform them that their customer, Richard Simmons, passed away on July 13, 2024. Mr. Simmons received his Social Security deposit on July 17, 2024.

Should the deposit be returned? **Yes**

What return reason code should be used?  
**R15**

# Still??

In January, a merger was announced between Rock 'Em Bank and Sock 'Em Bank. The surviving bank would become Rock 'Em Sock 'Em Bank and would maintain the routing number of Rock 'Em Bank. Letters were mailed to all accountholders of Sock 'Em Bank stating that transactions would be accepted to the old routing number for 6 months, after which all entries not updated would be returned.

On August 1<sup>st</sup>, several entries were received to the old Sock 'Em routing number.

What return reason code should be used to return these entries? **R12**



# How did that happen?

You've Got a Friend in Me Credit Union receives an ACH debit entry in the amount of \$325.00 destined to time deposit account 75984-5. This account does not allow electronic debit transactions.

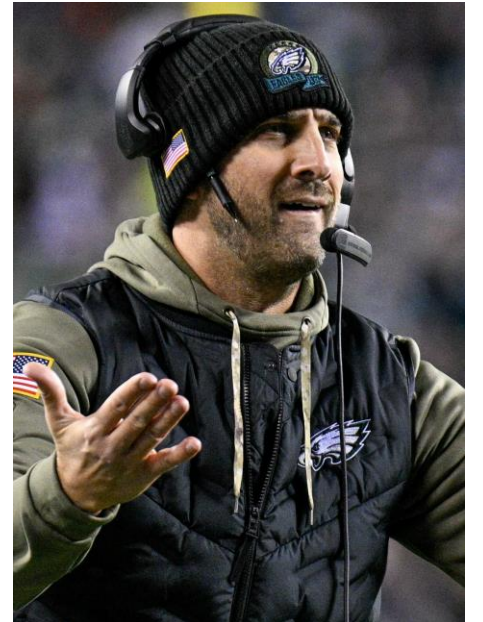
What return reason code should be used to return this entry? **R20**

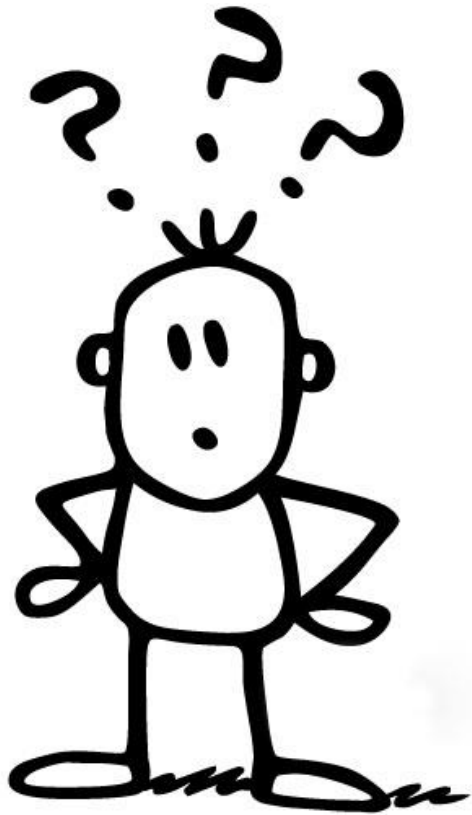


# Twice? I don't think so

Mr. Sirianni contacts Bleed Green FCU, on December 1<sup>st</sup>, after reviewing his statement. He notices that a check he had written had posted to his account on November 9<sup>th</sup> as an electronic debit (ARC) and on November 14<sup>th</sup> as the initial check. He is contesting one of the payments.

1. Can the ARC be returned? **Yes**
2. If so, what return reason code should be used? **R37**
3. Does Mr. Sirianni need to complete a WSUD? **Yes**





# What the what?

Rainy Day Bank's operations staff is reviewing their incoming return items on Monday morning. They notice a debit entry returned using R06. After researching this entry and speaking with additional staff members, they conclude they do not know why this entry was returned to them using R06.

1. Can the operations staff dishonor this debit return? **Yes**
2. If so, what dishonored return reason code should be used? **R70**

# I've got my eye on you

Nosey National Bank has been monitoring an account for suspicious activity. They believe the account was opened by a bad actor who is perpetrating scams. A credit entry flagged due to their transaction monitoring and was prevented from posting.

Can the bank return the credit entry? **Maybe**

What return reason code should be used? **R17**



# I thought I took care of that

Mr. LaFleur calls Cheesehead Bank, on Wednesday morning. He noticed there was a debit entry from Cheese-of-the-Month Club, for \$59.99, “in process.” He informs the Customer Representative that he does not wish for that debit to be paid.

After further discussion, it is determined that Mr. LaFleur contacted Cheese-of-the-Month Club the previous month to cancel his subscription, according to the instructions provided at the time of purchase.

1. How should this item be returned? **R07**
2. Does Mr. LaFleur need to complete a WSUD? **Yes**





# I need a little help from my friends

Mr. LaFleur calls Cheesehead Bank, on Wednesday morning. He noticed there was a debit entry from Cheese-of-the-Month Club, for \$59.99, “in process.” He informs the Customer Representative that he does not wish for that debit to be paid.

After further discussion, it is determined that Mr. LaFleur has an over abundance of cheese from the previous month and does not wish to pay this month’s subscription fee.

1. How should this item be returned?**R08**
2. Does Mr. LaFleur need to complete a WSUD?  
**\*No-stop payment form if required by the FI\***



# Is it my lucky day?

Ralphie notices a \$2,500.00 credit on his checking account from an organization he does not recognize. He can't think of any reason he should have received this credit. The credit posted to his account on October 30<sup>th</sup>. He contacts Oh Fudge Federal Credit Union on December 1<sup>st</sup> and asks them to return the credit.

1. Can the credit be returned? **Yes**
2. If so, what return reason code should be used? **R23**
3. Does Ralphie need to sign a form? **It's up to the FI.**  
**\*R23 timeframe is 2 days from consumer notification\***





## That's not right

Country Roads Bank receives an ACH credit entry in the amount of \$55.00 for Mr. J Denver to account 459852.12. Mr. Denver's account number is 54689.

What return reason code should be used to return this entry? **R04**

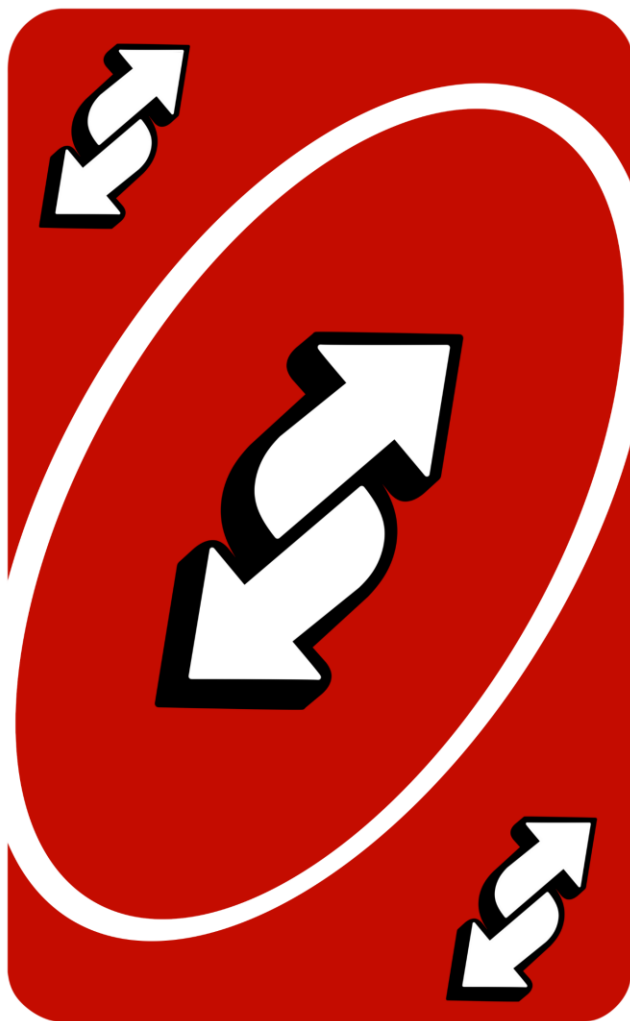
# Nope! Not today!

NFL FCU was notified by one of their consumer members that a debit entry posted to their account that was not authorized. The credit union employee researched the entry to find that it was a CCD debit from 3 weeks prior. The employee asked the member to complete a WSUD and the entry was returned using R05.

Three days later, the credit union received an R68 dishonored return, (untimely).

1. Was the return untimely? **No**
2. What should the credit union do? **Contest using R73**

**NOPE.**  
*not today*



# Oops

WeInsureYou initiated a debit file, on Monday morning, to collect premium payments. The debits were expected to settle on Tuesday. On Tuesday morning, it was discovered that one of the debits had been duplicated. WeInsureYou initiated a reversing credit to correct the duplication.

On Tuesday afternoon, one of the debits was returned due to NSF, but the reversing credit was not returned.

1. Can WeInsureYou's ODFI dishonor the return of the debit? **Yes**
2. If so, what return reason code would be used? **R62**

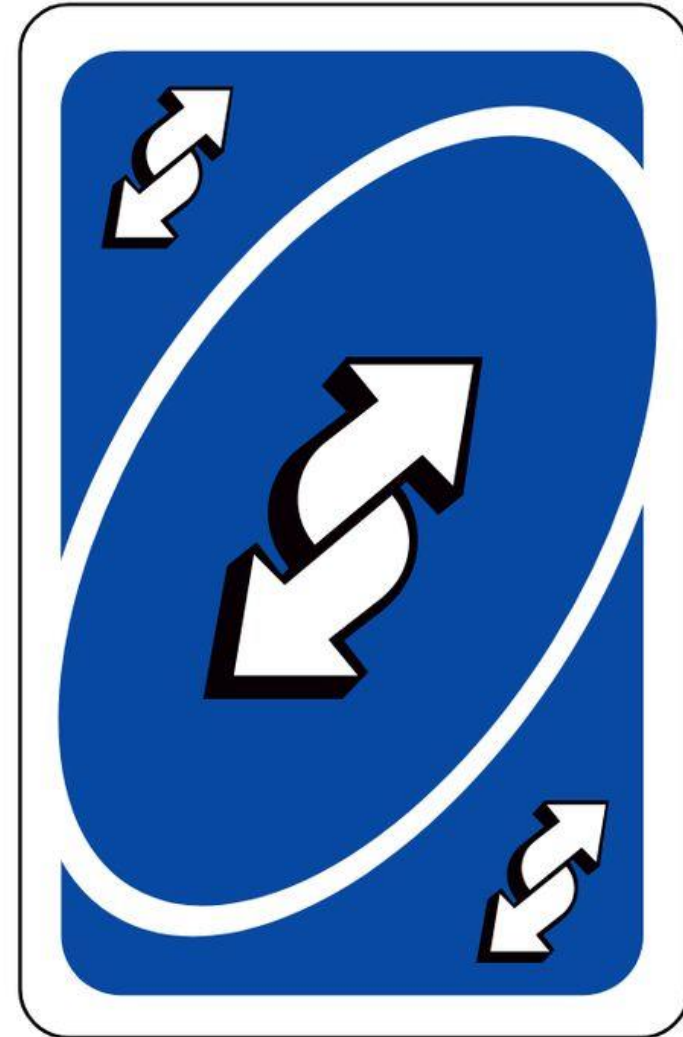
**\*The reversing credit combined with the returned debit caused the receiver to be unduly enriched.\***

# Oops...Take 2

WeInsureYou initiated 3 ACH credits, on Monday morning, to pay out claims. The credits were expected to settle on Tuesday. On Tuesday morning, it was discovered that one of the credits had been duplicated. WeInsureYou initiated a reversing debit to correct the duplication.

On Tuesday afternoon, the reversing debit was returned due to NSF.

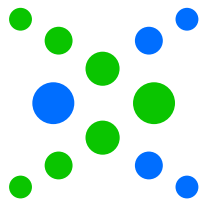
1. Can WeInsureYou's ODFI dishonor the return of the debit? **No**
2. If so, what return reason code would be used? **\*Return may not be dishonored as a reversal is only an attempt at recovering funds sent erroneously.\***



# Questions



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How Do I Return That?

December 2024

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