



1st Source Bank Helpful Hints: ACH – Payment Origination Terminology

Below is a list of common terms used when originating ACH payments in BBO Treasury along with other useful terms to be aware of as an ACH originator.

BBO Treasury ACH Terms & Definitions

Template - A template in BBO Treasury is predefined payment information stored in the system, following creation, that will be used for future payments. This may include banking information, payment amounts, and other information needed in order to process a future ACH payment.

Activation Date - The date when payments will be allowed to be originated from a template.

ACH Payment Type/SEC Code - Payment types include, but are not limited to, PPD (Prearranged Payment & Deposit) for individuals, CCD (Corporate Credit or Debit) or CTX (Corporate Trade Exchange) for corporate payments. Your Treasury Sales Representative can assist in choosing which payment type to use.

Company Entry Description - A brief description of the payment (10 or fewer characters), to the discretion of the originator. This entry will display to the receiving entity. The text will also be illustrated on the Payment Center page in the *Transaction Name / Reference* column of BBO Treasury.

Originating Account - The 1st Source Bank account from which the payment is issued.

Originating ACH Company ID - Identifies the name of the company to the receiving party. A company account can have multiple ACH company IDs. Select the option appropriate for the payment type being created.

Company Discretionary Data - An optional field where up to 20 characters can be entered to convey additional information about the payment. This information will not be transmitted to the receiving entity.

Effective Date - The date the payment is scheduled to take effect in the recipient's account.

Frequency - This can be set to *One-Time Only* or *Recurring*. Please note, if a payment is set to recurring, the recipient(s) and amount(s) entered must be verified. There are several recurring payment options available when entering the payment details. The option is also available to select how payments will be processed if they fall on non-business days (calendar days which fall on a Saturday, Sunday, or Federal Holidays).

Recipients - Individuals, businesses, or organizations, and their respective account information, that will be credited or debited for processing ACH payments. The recipient information can be stored in the *Master Recipient List* for future reference and/or populating templates with ease.

Addenda Record - An ACH record type that carries supplemental data needed to completely identify an account holder(s) or provide additional information concerning a payment such as invoice number.

Status - Once the payment is submitted, a *Status* in BBO Treasury will be assigned by the system. This will reveal the position of the payment along the course of being processed. *Status* types include *Pending Approval*, *Scheduled*, or *Completed*. Other *Status* types which may delay processing of your payment, or indicate a problem, include *Overdue* or *Rejected*.

Other Useful ACH Terms & Definitions

NACHA - National Automated Clearing House Association is the national trade association for electronic payments, which establishes the rules, industry standards, and procedures governing the exchange of ACH payments by financial institutions.

Prenote/Prenotification - A non-dollar ACH entry that is sent to the receiver's account to verify account information. This test entry is sent prior to live entries. If sent, you must wait 6 banking days after sending a prenote to initiate a live entry to allow the receiver's bank ample time to review and send back any correcting information.

Notification of Change (NOC) - A non-dollar entry sent to the Originating Bank by the Receiving Bank that contains information for the correction of erroneous information contained within an ACH entry. NOC codes define what data needs corrected such; C01 = Incorrect DFI Account Number or C02 = Incorrect Routing Number.

Return - Any ACH entry that has been returned to the Originating Bank by the Receiving Bank or by the ACH Operator because it cannot be processed. Returns are charged back to the account designated by the Originator Identification when received. Return codes define why the entry could not be processed such as; R01 = Insufficient Funds or R02= Account closed.

Unauthorized Return - An ACH item returned because it was either never originally authorized, cleared for more than was originally authorized, settled earlier than was previous authorized, or for which the authorization was revoked prior to the entry being originated. Once an item is returned unauthorized, it cannot be reoriginated until a new authorization is obtained.

Reversal - Any ACH entries or files sent within required deadlines to reverse previously originated duplicate or erroneous entries or files. Reversals must be transmitted in such time that they are made available to the Receiving Bank by midnight of the fifth banking day following the erroneous entry. There is no guarantee that a reversal will be accepted or not returned.

** Information derived from 2020 NACHA Operation Guidelines*