

# Exception Handling & Government Payments

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# Agenda

- Timeframes & Details for:
  - Returns
  - Dishonored Returns
  - Contested/Dishonored Returns
  - 60 Day Extended Returns
- Case Studies

# RDFI's Right to Transmit Return Entries

- An RDFI may return an Entry for any reason
  - Not return an Entry because it's a particular type of Entry

# Return Reason Codes

- R01 - NSF (Insufficient Funds)
- R02 - Account Closed
- R03 - No Acct./Unable to Locate Account
- R04 - Invalid Account Number Structure
- R09 - Uncollected Funds
- R20 - Non-Transaction Account
- R23 - Credit entry refused by Receiver
- R24 - Duplicate Entry

# R08 – Payment Stopped

- Stop payment orders are placed in advance of a specific entry or entries and are intended to stop the entry or entries from posting to the Receiver's account



# Recurring Stop Payments Consumer Timeframe

- If stop pay applies to more than one payment, with a specific Originator, the order remains in effect until all entries have been returned
- Permits RDFI to require verification of revocation when stopping future recurring payments

# Recurring Consumer Stop Payment

- An RDFI must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RDFI at least three Banking Days before the scheduled date of any debit Entry to a Consumer Account
  - Can accept within 3 banking day timeframe



# Single Consumer Stop Payment

- An RDFI must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RDFI in such time and manner to allow the RDFI a reasonable opportunity to act on the Stop Pay request before acting on the single debit Entry to a Consumer Account

# Stop Payments – Consumer

- RDFI may require written confirmation within 14 days of verbal stop payment order
  - Provided that the RDFI notifies the Receiver of this requirement, and
  - Provides an address to which the written confirmation should be sent

# R38/R52 – Stop Payment on Source Document/Item

- R38 – The RDFI determines a stop payment order has been placed on the source document to which the ARC or BOC Entry relates (For use with ARC and BOC only)
- R52 – The RDFI determines a stop payments order has been placed on the item to which the RCK Entry relates (for use with RCK only)



# Consumer Stop Payment vs. Revocation of Authorization

- Key factor:
  - Has the debit Entry posted to the account?
    - Yes, Obtain written statement
      - Return R07 – Authorization Revoked
    - No and a stop payment order is in place
      - Return R08 – Payment Stopped, no WSUD

# R07 – Authorization Revoked

- R07 – Authorization Revoked by Customer
  - Receiver of a consumer debit did authorize this transaction at one time, but has contacted the Originator to rescind that authorization “prior to the debit posting to the account” and wants you to return the Entry that has posted to their account
    - Key point: Entry has posted to the Receiver’s account before they are asking you to return it

# Corporate (non-consumer) Stop Payment

- An RDFI must honor a stop payment order provided by a Receiver, either verbally or in writing, to the RDFI in such time and manner to allow the RDFI a reasonable opportunity to act on the Stop Pay request before acting on the debit Entry initiated or to be initiated to a Non-Consumer Account

# Corporate (non-consumer) Stop Payment – timeframe

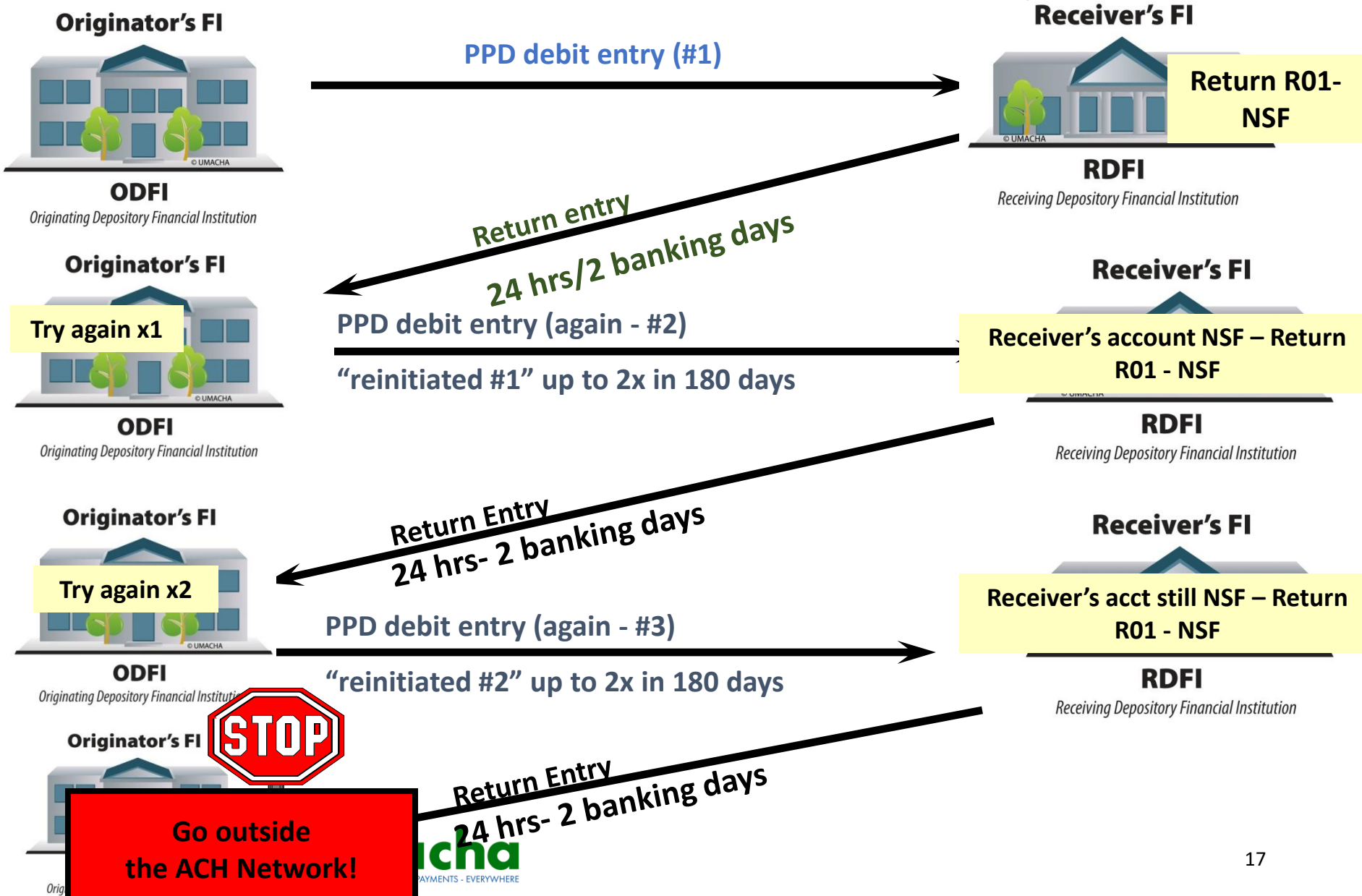
- Verbal request on a Non-Consumer Stop Pay is only good for 14 days
- Must be confirmed in writing within 14 days
  - When confirmed in writing, only good for 6 months
  - Can be renewed again in writing for 6 months
- Receiver may withdraw the Stop Payment order prior to the 6-month expiration
- Receiver may stop only one payment

# Reinitiation of Return Entries

- For all entries (except RCK) ----
  - ODFI can “reinitiate” entries returned for the following reasons...
    - Returned for NSF or uncollected funds
      - Up to 2 more times and within 180 days...
    - Entry returned for Stop Pay – Reinitiation authorized by the Receiver
      - Within 180 days
    - ODFI takes corrective action to remedy reason
      - Within 180 days
- RCK Entries
  - Item (check) has been returned NSF or uncollected funds
  - Item presented no more than two times through check collection OR no more than one time through check collection and one time as an RCK
    - Total – 3 presentments (including first check/item presentment)



# ODFI – Reinitiation Example



# General Returns & RCK Entries

- RCK – Represented Check Entry
  - General Return timeframe (i.e. NSF, acct closed)
    - RDFI must Transmit a Return Entry relating to an RCK Entry to it's ACH Operator by “midnight” of the RDFI's second Banking Day following the Banking Day of receipt of the RCK Entry

# Other Return Reason Codes

- R12 – Account Sold to Another DFI
- R17 – File Record Edit Criteria (Questionable)
- R20 – Non-Transaction Account
- R21 – Invalid Company Identification Number
- R22 – Invalid Individual ID Number
- R24 – Duplicate Entry

# R16 – Account Frozen

- Access to the account is restricted due to specific action taken by the RDFI or by legal action
- Consumer or Non-Consumer
- Expanded to include:
  - Returned Per OFAC Request



# R23 – Credit Entry Declined by Receiver

- Any credit Entry that is refused by the Receiver may be returned by the RDFI
- Consumer or Non-Consumer
- RDFI must transmit the Return Entry to the ACH Operator by the ACH Operator's deposit deadline for the Return Entry to be made available to the ODFI no later than the opening of business on the second Banking Day following the RDFI's receipt of the Entry from its Receiver

# R29 – Corporate Customer Advises Not Authorized

- The RDFI has been notified by the receiver (non-consumer) that a specific Entry (CCD/CTX) has not been authorized by the Corporate Receiver
- Non-Consumer only



# R29 – Corporate Customer Advises Not Authorized

- The only option beyond 24 hours
  - RDFI may contact ODFI to ask for permission to send a late return
- If the ODFI agrees to accept the late Return; RDFI can return R31 (Permissible Return)
  - No timeframe

# R39 – Improper Source Document/Presented for Payment

- The RDFI determines that;
  - The source document used for an ARC, BOC, or POP Entry to its Receiver's account is improper,or
  - An ARC, BOC, or POP Entry and the source document to which the Entry relates have both been presented for payment and posted to the Receiver's account
  - Timeframe to return = 24 hours
    - no paperwork
  - Consumer or Non-Consumer



# Written Statement of Unauthorized Debit (WSUD)

- Must be signed and dated on or after the Settlement Date of the Entry for which recredit is requested
- More than one unauthorized debit Entry from a specific Originator may be documented on WSUD, if transaction detail for each Entry is provided

# Written Statement of Unauthorized Debit (WSUD)

- RDFI must retain a copy for one year after the Settlement Date of the Extended Return Entry
- RDFI must provide a copy of the WSUD within 10 Banking Days upon receipt of the ODFI's written request

## **AUDIT CHECKLIST**



**Audit Satisfactory**



**Nonconformances Found**



**Observations Made**

# Written Statement of Unauthorized Debit (WSUD)

- A Written Statement must be accepted from a Receiver with respect to any:
  - a) Unauthorized or improper debit Entry to a Consumer Account
  - b) Any unauthorized or improper ARC, BOC or POP Entry to a non-Consumer Account; and
  - c) Any unauthorized IAT Entry
  - d) Incomplete Transaction to a Consumer Account
  - e) MUST be signed or similarly authenticated by the Receiver and submitted within timeframes provided in Rules
- Note: The NACHA Operating Rules do not require that an Affidavit/WSUD be notarized
  - Some state laws may obligate you to have any Affidavit/WSUD executed before a notary
  - Your own internal procedures may state notarization

# Written Statement of Unauthorized Debit (WSUD)

- Required for 7 Return Reason Codes:
  - R05 (Unauthorized Debit to a consumer Account using Corporate SEC Code)
  - R07 (Authorization Revoked)
  - R10 (Customer Advises Unauthorized)
  - R11 (I Authorized, but there's a problem)
  - R37 (Source document Presented for Payment)
  - R51 (Stop Payment on Item Related to RCK Entry)
  - R53 (Item and RCK Entry Presented for Payment)

# Extended Return Entries

## Return Timeframe

- Extended Return Entries must be made available to the ODFI no later than opening of business on the banking day following the 60th calendar day following Settlement Date of original Entry

# R05 – Unauthorized Debit

- R05 – Unauthorized Debit to Consumer Account Using Corporate Sec Code
  - CCD or CTX debit entry posted to a consumer account that was not authorized by the Receiver

# R07 – Authorization Revoked

- R07 – Authorization Revoked by Customer
  - Receiver of a consumer debit did authorize this transaction at one time, but has contacted the Originator to rescind that authorization “prior to the debit posting to the account” and wants you to return the Entry that has posted to their account
  - Key Point: Entry has posted to the Receiver’s account before they are asking you to return it

# Customer Advises Unauthorized

- R10 Customer Advises Originator is Not Known to Receiver and/or Originator is not Authorizes by Receiver to Debit Receiver's Account
  - ARC, BOC, IAT, POP, POS, PPD, TEL and WEB
    - Identity of the originator is unknown
    - No relationship with originator
    - For ARC & BOC
      - Signature on Source Document is not authentic or authorized
    - For POP entries
      - Signature on written authorization is not authentic or authorized
  - Written Statement of Unauthorized Debit required
  - 60 day return time frame

**UNAUTHORIZED**





# Customer Advises Incorrect

- R11 Customer Advises Entry Not in Accordance with the Terms of the Authorization
  - ARC, BOC, IAT, POP, POS, PPD, TEL and WEB
    - Incorrect amount
    - Debited earlier than authorized
    - Part of an incomplete transaction
    - Entry was improperly reinitiated
    - For ARC, BOC, or POP
      - Source document was ineligible
      - Notice was not provided
      - Amount not accurately obtained from source document
  - Written Statement of Unauthorized Debit required
  - 60 day return time frame

# R37 – Source Document Presented for Payment

- The source document to which an ARC, BOC or POP Entry relates has been presented for payment
- For use with ARC, BOC, and POP only
- WSUD needed (before returning)

# RCK Specific Return Codes

- R51 – Item Related to RCK Entry is Ineligible or RCK Entry is Improper (60-calendar days)
  - Need WSUD (before returning)
- R52 – The RDFI determines a stop payments order has been placed on the item to which the RCK Entry relates (for use with RCK only)
  - NO WSUD needed!!! (60-calendar days)
- R53 – Item and RCK Entry Presented for Payment (60-calendar days)
  - Need WSUD (before returning)

# Time Frame Not Defined for Return Reason Codes

- Returned per ODFI's Request (R06)
  - ODFI has requested that the RDFI return an Erroneous Entry
  - Consumer or Non-Consumer
  - Time frame is determined by the ODFI and RDFI (6 yrs. max – record retention)
  - An ODFI may, orally or in writing, request an RDFI to return an Erroneous Entry initiated by the ODFI
  - RDFI may, but is not obligated to, comply with this request
  - Subsection 2.12.3 – Indemnification by ODFI for Requested Returns

# Time Frame Not Defined for Return Reason Codes

- Permissible Return (R31)
  - CCD and CTX only
  - Option beyond two day return time frame
    - Timeframe is not defined; it is determined by the ODFI and RDFI (6 yrs. max – record retention)
  - RDFI must contact ODFI for permission to send a late return

# Dishonored Return Reason Codes

- R61 – Misrouted Return
- R62 – Return of Erroneous or Reversing Debit
- R67 – Duplicate Return
- R68 – Untimely Return
- R69 – Field Errors (more details next slide)
- R70 – Permissible Return Entry Not Accepted/Return Not Requested By ODFI
  - R70 may be used only to dishonor Return Entries containing Return Reason Codes R06 and R31

# R69 – Field Error(s)

- One or more of the field requirements are incorrect
- ODFI must insert the appropriate code(s) separated by an (\*), within the Addenda information Field of the Addenda Record
- Format for dishonored Returns indicate the field(s) in which the errors occur

# R69 – Field Error(s)

## Addenda Record Details

- 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/Identification Number
- 05 - Return Contains Incorrect Transaction Code
- 06 - Return Contains Incorrect Company Identification Number
- 07 - Return Contains Invalid Effective Entry Date



# Contested Dishonored and Corrected Dishonored Codes Return Codes

- R71 – Misrouted Dishonored Return
- R72 – Untimely Dishonored Return
- R73 – Timely Original Return
- R74 – Corrected Return
- R75 – Original Return Not A Duplicate
- R76 – No Errors Found
- R77– Non-Acceptance of R62 Dishonored Return

# Case Study #1

Anytown Credit Union receives a faxed request for a copy of an authorization from one of its Originators from a bank in New Mexico. The authorization relates to Entries that were processed 14 months ago for a debt repayment plan. At the bottom of the request for the copy of the authorization, the RDFI has typed that if you cannot provide the authorization, they will return the Entry to you as R06 – Returned per ODFI request.

# Case Study #1 - Questions

- Would your Originator be expected to still have a copy of this authorization? Why or why not?
- How long do you have to provide proof of authorization upon receipt of the written request from the bank in New Mexico?

# Case Study #1 - Questions

- What would you do if the Originator did not have proof of authorization?
- Is it OK for the bank in New Mexico to provide notice to you that they will return the Entries as R06 in this case?

# Case Study #1 - Questions

- What can you do if you receive an R06 return that you did not actually request as the ODFI?

# Case Study #2

On March 23, 2024, a consumer account holder at your institution calls regarding an unauthorized ACH debit of \$5,000.00 (Standard Entry Class code PPD) that occurred on January 5, 2023. The account holder's statement where the unauthorized debit posted was sent to them on January 31, 2023 (Assume this is NOT a new account)

# Case Study #2 - Questions

- What are your institution's obligations under Regulation E upon speaking to the consumer on March 23, 2024?
  
- What are your institution's obligations under the *NACHA Operating Rules*?

# Case Study #2 - Questions

- What (if any) documentation would you require from the consumer?
- Outline the steps your institution would take to resolve this issue for the consumer.



# Case Study #2 - Questions

- How would your actions vary if this happened to a corporate accountholder?

# Case Study #3

Your institution receives the following message from a current accountholder on one of your institution-operated social media sites:

***Date: April 1, 2024***

***Subject: Help!***

***From: John Smith***

***I was looking at my statement for my checking account ending in -2468 and I noticed that someone took money out of my account on February 21<sup>st</sup> but I don't recognize the company name. The transaction is for \$2,000.00. I'm currently traveling out of the country and won't be back until the end of April, but I need that money back AS SOON AS POSSIBLE for the rest of my trip. Please help!!***

The person in charge of your institution's social media accounts was on vacation and didn't return until today when he/she reviewed the message and brought it to you for guidance.

# Case Study #3 - Questions

- What date will you use as the date the consumer notified you of a potential error on his statement for this Reg E Error Claim?
- What (if any) additional information do you need to determine how to proceed?

# Case Study #3 - Questions

- What (if any) additional documentation will you require?
  - If you need more documentation, when do you need it by?
  - How or in what format will you obtain what you need?

# Case Study #3 - Questions

- Will you transmit an Extended Return Entry for the \$2,000.00 debit back to the ODFI? If so, when and with what return reason code?
- How will you make sure John gets the money that he needs to complete his travels? Will you treat this as provisional credit or final credit?



# Case Study #4

Jane receives a phone call from her cell phone provider notifying her that her payment is past due. “Impossible!” she thinks – she used a bill pay site ([wepromise2payurbills.com](http://wepromise2payurbills.com)) to schedule her payment over a month ago. The debit came out of her account on March 15th, so she calls her institution (YOU) to determine what might’ve happened.

# Case Study #4 - Questions

- What can you do?
- Can you return this Entry? If so, what return Entry code would you use and do you need any additional documentation?

# Case Study #5

An ODFI receives a panicked call from its Third-Party Sender notifying them that they have accidentally processed payroll for a very large retailer not once, not twice, but five times! The files went out earlier in the day and have already been released to the ACH Operator.





# Case Study #5 - Questions

- Once the ODFI processes its reversals, they know that they will potentially still have to deal with returns in some of these cases. However, two weeks after the settlement date of the reversals, they receive four of the reversing debits back from a consumer as R10 – Customer Advises Not Authorized.

# Case Study #5 - Questions

- Is this a proper usage of an R10 return? Why or why not?
- What can the ODFI do now that it has received these four returns back?

# Case Study #5 - Questions

- If the ODFI is able to do something, are they completely out of the woods? Or is there a chance that the RDFI might be able to take another specific action? What could the RDFI potentially do?

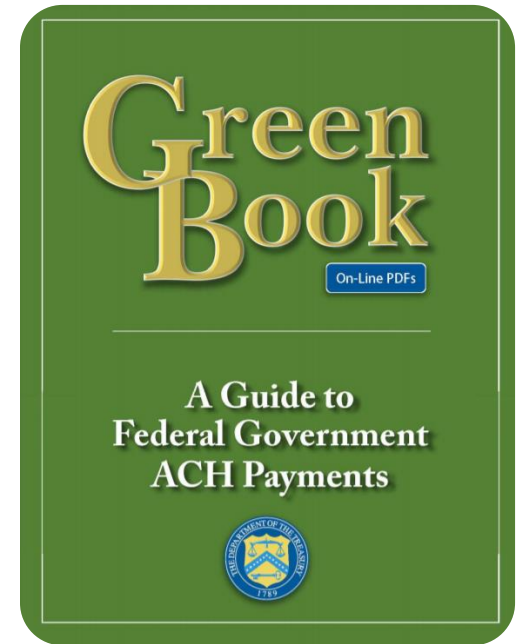
# Session Agenda

- Federal Government Payments
  - ACH Payment Processing
  - Non-Receipt Claims
  - Returns
  - Reclamations

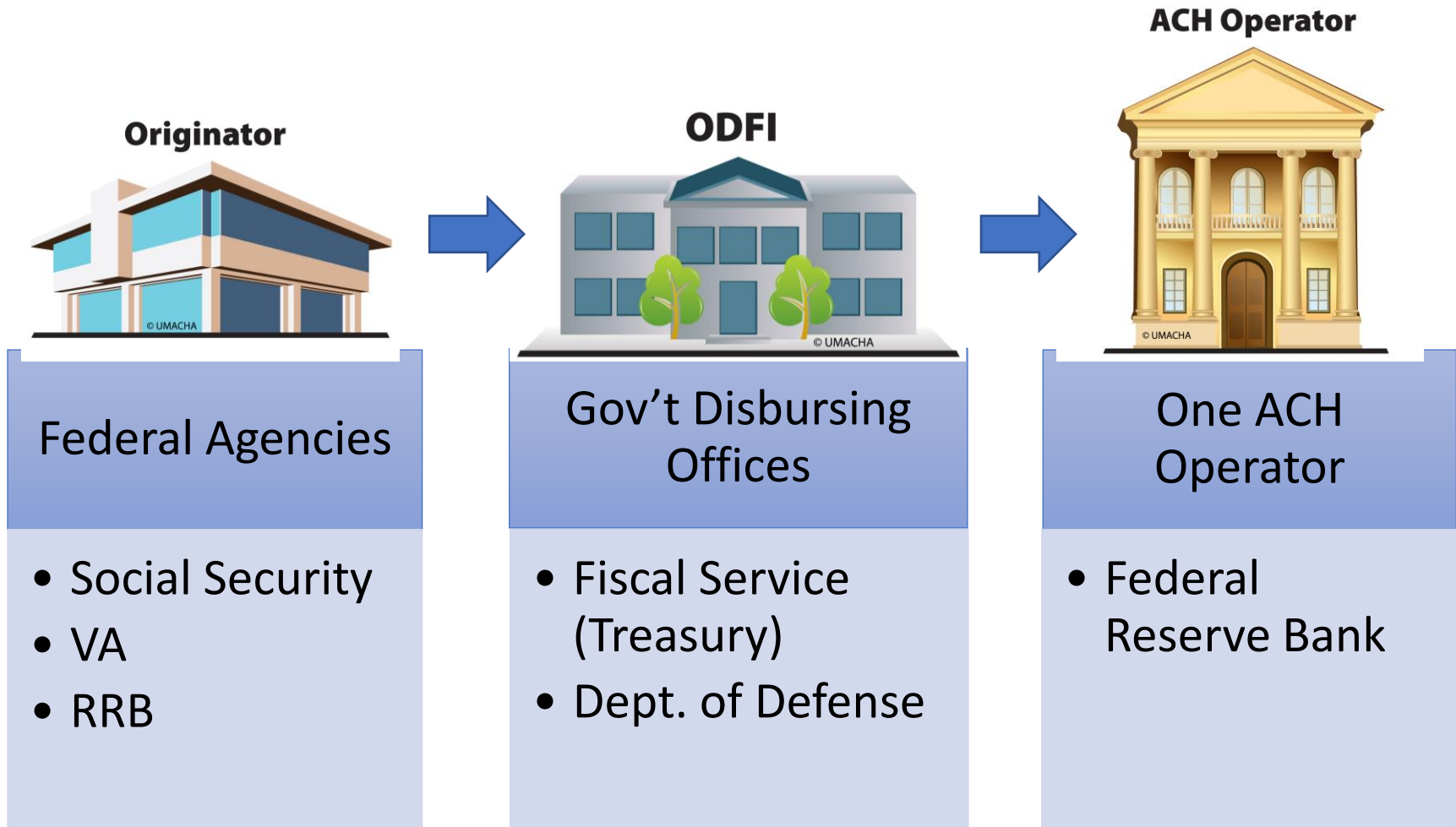


# Green Book

- Comprehensive guide for FIs receiving ACH payments from the Federal Gov't
  - <https://fiscal.treasury.gov/reference-guidance/green-book/>
  - No longer in print
  - Available for PDF download
  - Periodically reviewed (Updated February 2023)
- Title 31 Code of Federal Regulations:
  - 210, 208, 370



# Fed Gov't ACH Participants



# ACH Payment Processing



# Receiving Account Requirements

- Account must be in the name of the recipient or beneficiary
  - Exceptions:
    - Representative payee;
    - Deposited into investment account established through securities broker or dealer with the SEC;
    - Resident trust or patient fund account established by a nursing facility;
    - Member of religious order who has taken a vow of poverty;
    - Deposited to account accessed by the recipient through a prepaid card; or
    - Treasury grants a waiver

# Receiving Account Requirements

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# Misdirected Payments

- FI may post a payment to a correct account...
  - As long as there is no change in the title of the account or in the interest of the recipient or beneficiary in the account
  - FI should also issue a NOC
  - FI does this at its own risk
- FI may return payment if unable to post
- RDFI only liable for posting payment to account in the entry

# Notice of Misdirected Payment

- FI required to notify agency of misdirected payment once it becomes aware
- Methods of providing notice:

Notification of Change (NOC);

Return entry with appropriate Return Reason Code;

Contact agency via phone/letter;

Any other means deemed acceptable by agency

# Garnishment of Federal Benefits

- 31 CFR Part 212 requires FIs to take certain actions upon receipt of garnishment orders
- Protected federal benefits paid electronically via ACH
  - Account holder must have access to an amount:
    - Equal to the sum of protected federal benefits deposited to an account during a two-month period; or
    - The current balance of the account, whichever is lower

# Garnishment of Federal Benefits (cont.)

## Protected federal benefits:

- Social Security Administration (SSA);
- Supplemental Security Income (SSI);
- Veterans Affairs (VA);
- Federal Railroad retirement unemployment & sickness benefits (RRB);
- Civil Service Retirement System benefits (OPM);
- Federal Employee Retirement System benefits (OPM)

# Garnishment of Federal Benefits (cont.)

- Identifying protected federal benefits
  - 'XX' found in Positions 54-55 of the Company Entry Description field of the Batch Header record of the ACH File
  - FIs are allowed to rely on the presence of the 'XX' in making their determination

FIELD	7	8	9
<b>DATA ELEMENT NAME</b>	<b>COMPANY ENTRY DESCRIPTION</b>	<b>COMPANY DESCRIPTIVE DATE</b>	<b>EFFECTIVE ENTRY DATE</b>
<i>Field Inclusion Requirement</i>	M	O	R
<i>Contents</i>	Alphameric	Alphameric	YYMMDD
<i>Length</i>	10	6	6
<i>Position</i>	54-63	64-69	70-75

E.g., 'XXSOC SEC' or 'XXRR RET'

# IRS Tax Refunds

- Kansas City Regional Financial Center (RFC) disburses all Direct Deposit tax refunds for the IRS
  - Company Name field: IRS TREAS 310
  - Company Entry Description field: TAX REF
- Refunds must be returned if unpostable
  - NOCs cannot be used to correct information but can be used to notify gov't if RDFI chooses to manually post refund to correct account
  - If returned, taxpayer will receive refund via check
- FIs only responsibility is to post refund to account indicated in entry



# Issue of Nonreceipt

# Locating a Payment

Was the payment posted late?

Is the payment currently memo-posting?

Was the payment posted early?

If third-party processor is used, were the funds made available through the processor?

Was the payment an exception item?

Has the recipient:

- Changed financial institutions?
- Revoked the Direct Deposit authorization?
- Verified entitlement with the authorizing agency?

# Nonreceipt Process

Recipient notifies agency → agency notifies Fiscal Service → Fiscal Service researches claim by contacting RDFI

- Methods of Fiscal Service research:
  - Telephone;
  - Email;
  - Facsimile;
  - FS Form 150.1
    - Form used only to trace payments other than benefit payments

Fiscal Service will mail letter to recipient after reason for non-receipt is determined

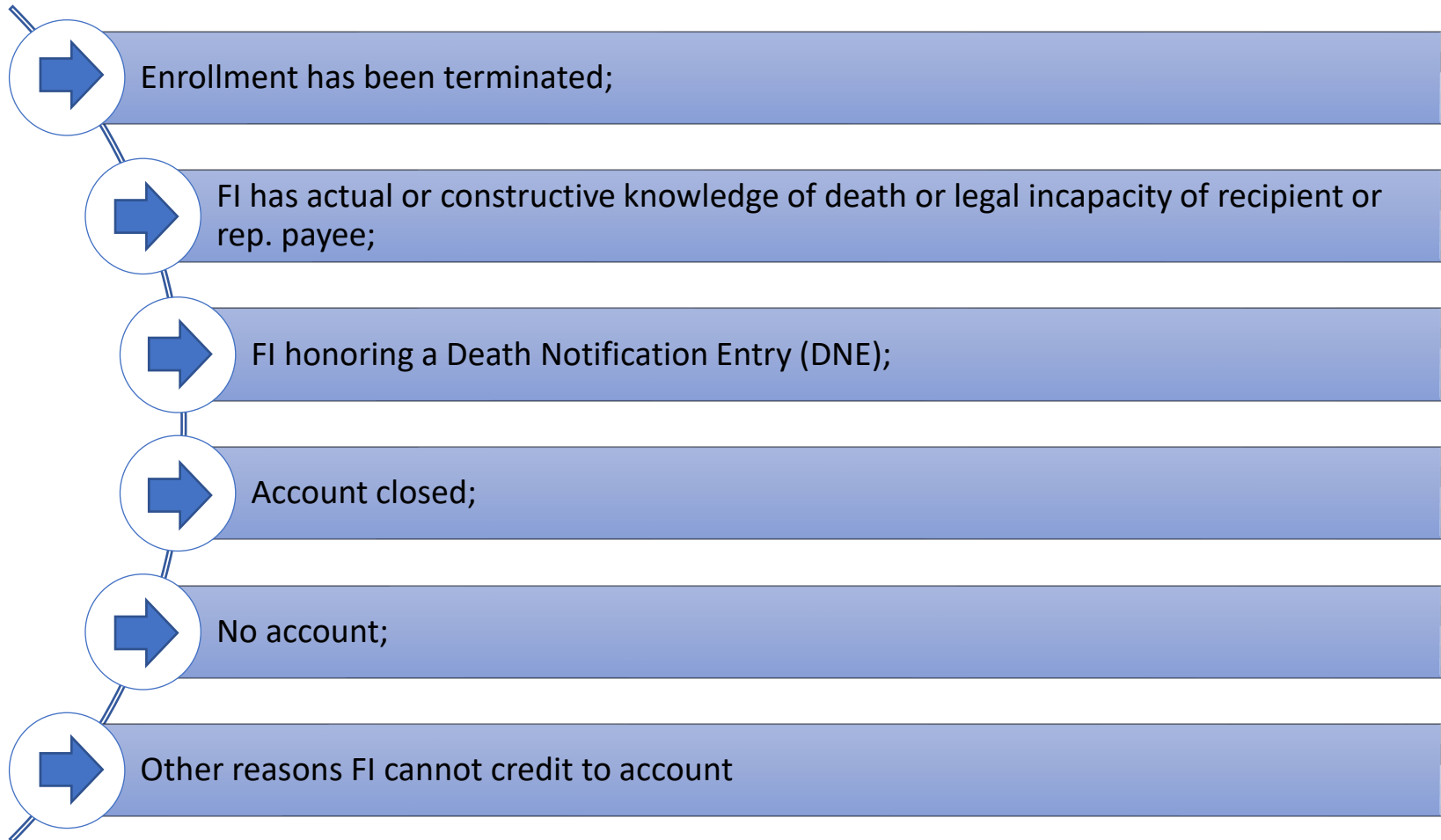
# RDFI Liability

- Can be held liable for payments not processed timely or correctly
- If Federal gov't sustains a loss as a result of a FI's improper handling, FI is liable for the loss, up to the amount of the entry



# Returns of Federal Payments

# RDFI must return if...



# Common Return Reason Codes

- Account Closed

**R02**



- No Acct/Unable to Locate Acct

**R03**



- Invalid Account Number Structure

**R04**



- Returned per ODFI's Request

**R06**



- Rep. Payee Deceased or Unable to Continue in that Capacity

**R14**



- Beneficiary or Acct Holder (Other Than a Rep. Payee) Deceased

**R15**



- Acct Frozen/Return per OFAC

**R16**



- File Record Edit Criteria (Specify)

**R17**



# Refund Return Opt-In Program (R17)

- Developed by Nacha & IRS to allow FIs to return tax refunds in cases of suspected errors or fraud
  - Return using R17 for 60 days from Settlement Date of entry for the following reasons:
    - Subcode 17: Name mismatch;
    - Subcode 18: Taxpayer's identity stolen; or
    - Subcode 19: Refund is questionable, invalid, erroneous, or obtained through fraudulent filings
      - Subcode must be placed in the Addenda Information field of the return
  - If beyond 60 day timeframe:
    - Contact IRS External Leads Program to obtain permission for late return



# R14/R15

FIs encouraged to use the following Return Reason Codes to notify gov't agencies of the death *if* the RDFI learns of the death from a source other than the agency

- Satisfies requirements to notify agency & return all post-death benefit payments

• Rep. Payee Deceased or Unable to Continue in that Capacity

R14



• Beneficiary or Acct Holder (Other Than a Rep. Payee) Deceased

R15

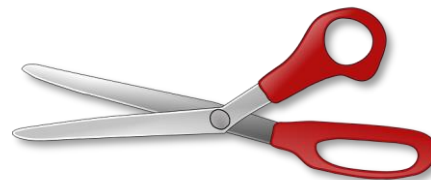


# Death Notification Entry (DNE)

- Non-monetary entry that gives notice by an agency to an RDFI of the death of a Receiver
  - Contains an addenda record including:
    - Date of death;
    - The deceased's social security number; and
    - The amount of the next scheduled benefit payment
  - SSA, OPM, & RRB originate DNEs
- FI encouraged to “flag” account following the receipt of a DNE

# Effect of Returning a Payment

- Any returned payment automatically revokes the Direct Deposit authorization and may stop further payments from the Federal agency to a recipient's account.
- The recipient should contact the authorizing Federal agency to resume payments



# Return Data

Four fields must be identical to original:

- Trace number;
- Effective entry date;
- Amount of payment; and
- Individual ID number (I.e., claim number, SSN, etc.)

# Holding Payment in Suspense Accounts

- Under no circumstances should an FI hold unpostable payments indefinitely in a suspense account, or by any other means, nor held if any conditions apply on when to return a payment
  - May result in breach of FI's warranty for handling Federal gov't ACH payments



# Recipients w/o Current Accounts

- Should not open new account for recipient in response to an unpostable payment
  - FI must return any subsequent payments made to the closed account
- If recipient closes account & opens new account, recipient must establish new Direct Deposit authorization with agency

# Reclamations for Federal Benefit Payments

# Reclamation

Reclamation is a procedure used to recover benefit payments received after the death or incapacity of a recipient

- Provisions of 31 CFR 210 preempt reclamation provisions found in the *Nacha Operating Rules* with respect to federal benefit payments
  - The *Rules* on reclamations are used for state/commercial reclamations
- RDFIs agree to these provisions by originating/accepting a recurring benefit payment from Federal gov't



# Subject to Reclamation?

## Payments Subject to Reclamations

---

Social Security benefit or disability (SSA)

---

Supplemental Security Income (SSI)

---

Black Lung disability (Dept. of Labor)

---

Military and Coast Guard retirement, including allotments from military retired pay (DFAS)

---

Civil Service annuity (OPM)

---

Veterans Administration benefits (VA)

---

Railroad Retirement Board (RRB) annuity

---

US Coast Guard

---

Worker's compensation (FECA)

---

DC Pensions

---

Compensation Act (Dept. of Labor)

---

Any other federal retirement or annuity

---

## Payments not Subject to Reclamations

---

Federal salary, allotments, and travel payments

---

U.S. savings bond payments

---

Vendor/miscellaneous payments

---

IRS tax refunds

---

Discretionary allotments

---

Public debt payments (TreasuryDirect)

---

Other types of federal ACH payments

---

**Note:** *For post-death payments not affected by reclamation, adjustments are made only between the authorizing federal agency and the recipient's survivors or estate*

# Liability

- RDFIs face two outcomes related to liability:
  - Full liability; and
  - Limited liability
    - Debited for ACH 45-day amount

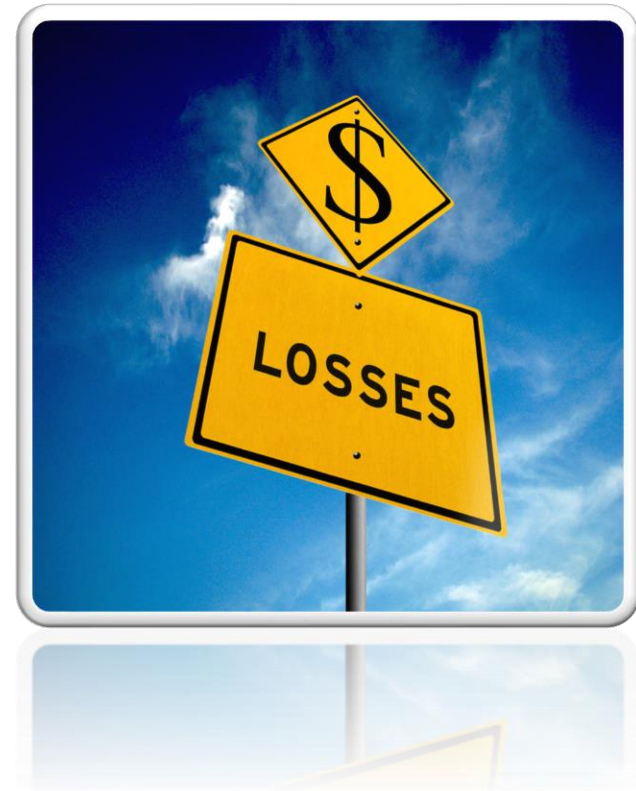


# Full Liability

If an RDFI is unable to limit its liability, it will be held liable for all post-death benefit payments

RDFI will be debited for full amount of reclamation from Fed account

Debit action will be final



# Limiting Liability

An RDFI may qualify to limit its liability if it:

- Certifies it did not have actual or constructive knowledge of recipient's death at the time of the deposit of any post-death benefit payments;
- Returns all post-death benefit payments rec'd after it learns of the death (but not post-death benefit payments it rec'd before it learned of the death);  
**AND**
- Responds to Notice of Reclamation (FS Form 133), completely & adequately, so that it is rec'd by the government disbursing office within 60 days from the date of the notice

# Post-Death Payments

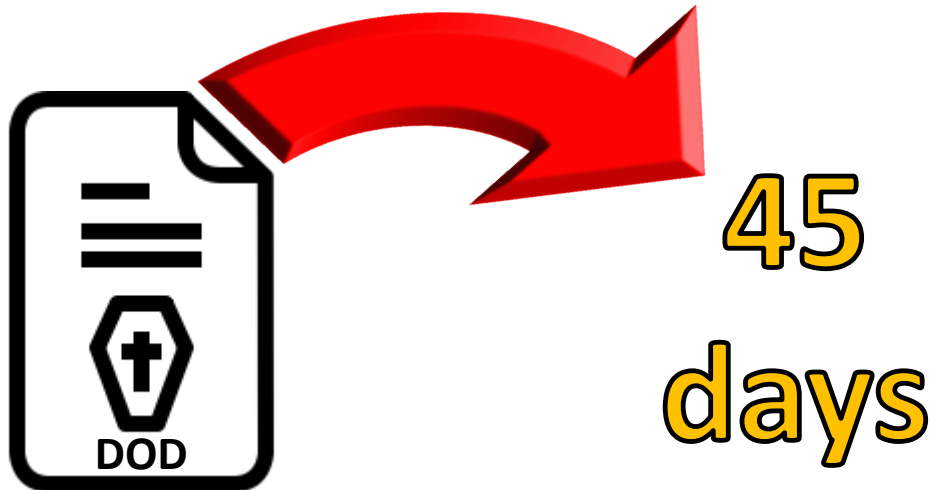
## Requirement to Return Post-Death Benefit Payments

It is important to understand that once a payment has been credited to payee's account, it becomes the property of the account holder. In the case of post-death payments, the payments become property of the joint account holder or decedent's estate. The government cannot legally authorize or direct an RDFI to take funds already credited to an account and send them to the government. This is the reason that RDFIs are directed only to return post-death payments that they receive after they become aware of the payee's death, using an R14 or R15 code. Such returns are legally permissible because the payments have not been credited to the recipient's account and therefore have not become property of the joint account holder or decedent's estate.

It is up to each RDFI to consider its policy as an institution as to what steps it may wish to take, if any, upon learning of the death of a recipient in order to preserve funds in the account pending receipt of a Notice of Reclamation. Some RDFIs, upon becoming aware of an account holder's death, perform an account analysis before receiving an NOR and voluntarily return post-death payments that were credited to the account before the RDFI learned of the death. RDFIs are cautioned that Fiscal Service does not authorize or direct RDFIs to debit or otherwise affect the account of a recipient, including to return post-death payments already credited to an account. However, Fiscal Service will accept pre-NOR returns of post-death payments provided that they are made electronically using an R14 or R15 code

# ACH 45-Day Amount

- If RDFI qualifies for limited liability, the RDFI will only be debited for the ACH 45-day amount
  - The ACH 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death



# Notification of Death

- RDFI must immediately return any post-death benefit payments received after the RDFI becomes aware of the death of a recipient
- Must notify federal agency if knowledge of death was received from a source other than the federal agency
  - R14/R15 return constitutes proper notification
    - Date of death should be in YYMMDD format
  - RDFI should provide notification to account owners, as a courtesy

# Notification of Death

- If at the time the RDFI first receives information of death, all or part of the post-death benefit payments have already been withdrawn, the gov't does not authorize the RDFI to try to recover the funds from the withdrawer
  - If RDFI does so, it acts under its own authority in terms of its contract with its depositor or under state law





# Survivor Request

- RDFI may be asked by survivors to refrain from returning post-death benefit payments
  - RDFI should still return payment & advise survivor(s) to contact the appropriate federal agency
    - Agency phone numbers found in Chapter 7



# FS Form 133

- Received by RDFI via mail
  - Address & routing number derived from the Financial Organization Master File (FOMF)
    - If Notice of Reclamation is mailed to an obsolete address, RDFI may be held liable for failing to notify FRB of changes to mailing address
- Received via FedMail®
  - Email delivery option for ACH reclamations
  - <https://www.frbservices.org/treasury-services/ach-reclamation.html>

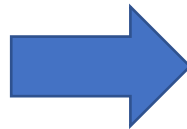
# Retention

- Green Book states FIs should retain a copy of a Notice of Reclamation for a minimum of three years or until the associated case is closed

## FS Form 133



The image shows a sample of FS Form 133, titled "NOTICE OF RECLAMATION". The form includes fields for "RECIPIENT ACCOUNT BENEVOLENT NAME", "CLASSIFICATION", and "DATE OF DEBIT". It also contains a section for "SUMMARY OF INSTRUMENT RECEIVED" with sub-sections A, B, C, and D, and a "RECIPIENT'S COMMENTS" section at the bottom.



# Automated Reclamation Processing System

- Effective January 1, 2023: All reclamation responses must be submitted through the Automated Reclamation Processing System (ARPS) located in Treasury's Pay.gov web portal
  - except for responses by DFAS and any Treasury-approved exceptions
- Exceptions must be approved on a case-by-case basis by Bureau of the Fiscal Service and requests may be sent to:
  - [pfc-reclamations@fiscal.treasury.gov](mailto:pfc-reclamations@fiscal.treasury.gov)

# Pay.gov Account

- **What will I need to complete my [Pay.gov](#) account setup after signing in with ID.me or Login.gov?**
- You will need to provide your contact information including your name, address, and phone number. You will also be required to provide a challenge question and answer which will be used when calling Pay.gov Support. Note: Your email address will be imported from ID.me or Login.gov and you will not be able to update this with Pay.gov



Before You Begin

2

Complete Agency Form



FISCAL SERVICE Form 133 Notice of Reclamation (NOR)
(For Financial Institution Use)

1. Enter Reclamation Ticket Number: [ ] 1a. Reenter Reclamation Ticket Number: [ ]
2. Total Reclamation Amount: \$0.00 2a. Debit Authorization Amount: \$0.00
(Use "Outstanding Total" from the Notice of Reclamation) (Equal to or less than amount for #2)

IF LESS THAN THE OUTSTANDING TOTAL IS BEING PAID, PROVIDE THE NAMES AND ADDRESSES OF THE ACCOUNT OWNER AND/OR LAST WITHDRAWER ON QUESTION #6.

3. Recipient/beneficiary did not die. [ ]
4. Date of death is wrong [ ] (If box is checked, provide correct date of death from death certificate.)
Correct Date of Death: (MM/DD/YYYY) [ ]
5. Protesting Notice of Reclamation under the 120-Day rule. [ ] (If box is checked, it is optional to provide additional notes on question #8.)

6. Provide Account Owner Information and/or Last Withdrawer:
Last Name: [ ] First Name: [ ]
Address of Last Account Withdrawer
Street Address: [ ] Apt. Number: [ ]
City Name: [ ] State: [ ] Zip Code: [ ] - [ ]

7. Sole Owner: [ ] Yes [ ] No (IF NO, PROVIDE ACCOUNT CO-OWNER INFORMATION)
Account Co-Owner Information:
Last Name: [ ] First Name: [ ]
Street Address: [ ] Apt. Number: [ ]
City Name: [ ] State: [ ] Zip Code: [ ] - [ ]

8. Notes: (500 Character Limit)
[ ]



**\*9. CERTIFICATION NO. 1:**

This certifies that the Notice to Account Owners form was mailed to the owners of the account at the addresses on the records of this financial institution on:

Date: (MM/DD/YYYY)

If a correction has been made to the fact or date of death, this certifies that the date of death entered above is correct and that this financial institution took prudent measures to assure that the person is alive or that the date of death was erroneous.

Digital Signature of FI Representative Completing this Form and CERTIFICATION NO. 1:

DATE 01/28/2021 SIGNATURE Deborah Jackson - pay.gov

**\*10. CERTIFICATION NO. 2:**

In accordance with 31 CFR 210, this certifies that this financial institution received the Notice of Reclamation on:

Date: (MM/DD/YYYY)

And this financial institution first learned of the death on:

Date: (MM/DD/YYYY)

The financial institution had no knowledge of the death or legal incapacity of the recipient or death of the beneficiary at the time any of the payments listed were credited to or withdrawn from the account. An amount equal to the amount remaining in the account, including any additions to the account balance since the receipt of this notice, has been paid to the Government.

Digital Signature of FI Representative Completing this Form and CERTIFICATION NO. 2:

DATE 01/28/2021 SIGNATURE Deborah Jackson - pay.gov

**\*11. Name, Title and Phone Number of FI Representative Completing THIS Form and CERTIFICATION NO. 1 & 2 and Date Completed:**

Last Name:  First Name:

Title:  Phone Number:

Date: (MM/DD/YYYY)

# Incomplete or Inadequate Replies

## FS Form 2942

<b>DIRECT DEPOSIT</b> ELECTRONIC FUNDS TRANSFER FEDERAL RECURRING PAYMENTS  FOLLOW-UP TO NOTICE OF RECLAMATION	FROM:  DATE:
REFERENCE: NOTICE OF RECLAMATION DATED: _____ (Copy Attached)  FOR: _____ (Name) _____ (Claim Number)	
Your financial institution did not properly respond to the attached Notice of Reclamation as required by 31 CFR Part 210. In order to avoid the possibility of a debit to your Federal Reserve account or the account of your correspondent, a properly completed Notice of Reclamation must be received by this office within 30 days from the date of this notice.	
ROUTING NUMBER: TO: DIRECT DEPOSIT COORDINATOR	DEPARTMENT OF THE TREASURY PROCEDURE MANAGEMENT DIVISION FMS 2942 (4-92) EDITION OF 12-84 IS OBSOLETE
FINANCIAL ORGANIZATION COPY	

- Sent if gov't does not receive a response within 30 days of the Notice of Reclamation; or if the RDFI's response is incomplete or inadequate
  - Copy of original Reclamation will be attached
- Gov't will send RDFI a rejection letter only one time, indicating what is lacking
  - RDFI's Federal Reserve account will be debited for outstanding amount if subsequent reply is incomplete or inadequate



# Time Limits

## Initiation of Reclamation:

- **120 calendar days**
- RDFIs may protest a Notice of Reclamation if they believe an agency did not meet this deadline

## Scope of Reclamation:

- **Six years\***

## Coinciding with Date of Death:

- RDFI is not liable for any benefit payment with an effective date the same as the date of death

## RDFI Reaction Time:

- **Up to one business day**

## RDFI Response Deadline:

- **Up to 60 calendar days**

# Collection from Withdrawers

- If all or part of post-death payments have been withdrawn before RDFI learns of death, and RDFI responds to Notice of Reclamation and is qualified to limit its liability, the reclamation process will be temporarily suspended while agency attempts to collect outstanding total from withdrawer(s)
  - If unsuccessful, RDFI will be debited for ACH 45-day amount



# Debiting Fed Account

- If Fed account is debited, reclamation ticket number will appear on the FI's Statement of Account for reconciliation purposes
  - Ticket number found on original Notice of Reclamation

9914 (215) 516-8154 57190 Treas ACH Rec Auto

<b>BR</b>	<b>BATCH</b>	<b>REF</b>	<b>OFFSET</b>	<b>FI</b>	<b>DEBIT</b>
	03884	7502	051000033	<b>0000003456</b>	500.00
	03890	7503	051000033	<b>0000003459</b>	250.00
	03892	7504	051000033	<b>0000003181</b>	367.00

Reclamation  
Ticket  
Numbers

# Errors in Death

- RDFI still required to complete & return Notice of Reclamation even if it receives satisfactory proof that the recipient is alive
  - If RDFI fails to complete & return Reclamation, Fed account may be debited for outstanding amount
    - May only be reversed after a verification process is completed by the authorizing federal agency



