

REVIEW YOUR NSF AND ANR PROCEDURES FOR ACH EXCEPTION PROCESSING

Are Your ACH Procedures Letting Double Fees Slip Through the Cracks?

It's come to our attention that many credit unions are using the "Post" feature in the Work Daily ACH Exceptions tool (Tool #983) not only to re-post invalid ACH items that were corrected, but also items that were NSF, in an attempt to try and clear as many items for members as possible rather than returning them to the original merchant.

While it's commendable for these accounting teams to want to help members by honoring ACH items that otherwise would be returned, this is one of those situations where good intentions *might* create a negative situation for you and your credit union. Bottom line...**You should review your products and disclosures now.**

Posting Two Fees for the Same ACH Debit

We recently added some additional details to the [Automated Non>Returns booklet](#) that explains a scenario where, because of the unique way that ACH items are processed, it is possible that **members might receive more than one fee on the same ACH debit item.**

Here's the scenario: An ACH debit fails to post due to insufficient available funds on the first pass. Your configured **NSF fee** (which also generates an NSF notice event) is posted to the account and the item is placed on the exception report to be returned the next morning.

Because your credit union's policy is to help members avoid items being returned as much as possible, you choose to take advantage of the ACH re-post process on the Work ACH Exceptions screen (Tool #983). When an NSF item is selected on that screen and the Post command is executed, what happens next depends on the status of that account at that moment:

1. *If the member's available balance has not changed*, nothing more will happen on the member's account with the re-post and the item will be returned as NSF when you process your ACH returns.
2. *If the member has made a deposit* between the last posting attempt and the re-post process:
 - a) The deposit allows the item to clear as long as both the current balance and available balance exceed the ACH debit transaction amount. (The member is NSF when the item was originally presented but clears in the next post with no additional fee.)
 - OR
 - b) The deposit is short of the entire amount needed, but does raise the available balance enough so that a courtesy pay transaction can be cleared. This results in a second fee on the account – this one **an ANR (non-return) fee** with associated ANR notice – for the ANR clearing.
3. Likewise, *if the member's ANR limit has changed* between the last posting attempt and the re-post process to the extent that the item can clear, a re-post will result in a second fee on the account for the ANR clearing. A member's available balance might change due to:
 - a) A deposit being made between the postings, as already described.
 - b) Your CU has a 3rd-party program that evaluates and adjusts member negative balance limits between the postings.
 - c) A manual adjustment being made to the negative balance limit between postings.

The ACH re-post feature was originally intended to allow invalid items (such as a truncated account number) to be posted *while retaining the addenda data* attached to the original item. But this

tool also can be used to re-present one or more exceptions from the last posting so they will attempt to post a second time. It will try all of the available clearing tactics available to CU*BASE:

- Clear based on the current balance and available balance being greater than the item presented, or
- Clear based on the ANR limit, should the available balance plus limit allow for the item to be processed (ANR fees apply), or
- Fail the item if available funds in any combination are not greater than the debit being processed.

Bottom line...You can, of course, choose to use re-post only on items that have sufficient funds to clear without ANR, or to reverse either or both of the fees manually. But if you do not want to risk double-feeing a single transaction through this dual process, **you may prefer NOT to use the ACH re-post tool for NSF items at all.**

We believe that credit unions using the ACH re-post feature to “try again” on NSF items aren’t looking for additional fees. They simply don’t want to create a situation where the member has to be hassled dealing with the retailer and all of the embarrassment of having an ACH payment returned. Most CUs are happy to settle for a single NSF fee and the goodwill they get from a member for helping them out.

But if you don’t take the time to review each situation, possibly refund NSF fees, and review your notices, you may be charging more fees to members than you intended.

What Your Credit Union Should be Doing

The landscape for credit union overdraft programs has changed significantly since ANR was first introduced for ACH in 2003, and since the ACH Exception re-post feature was created in 2010. In light of that and recent news about overdraft programs making national headlines, we highly recommend that **your credit union immediately review your policies and procedures** and make any adjustments you deem necessary. For example:

- Do you routinely examine ACH items that come in NSF to ensure that your fee policies are being followed when it comes to a decision not to return the item and use your ANR/courtesy pay policy/fee instead?
- Are you checking to make sure any notices are reviewed and potentially adjusted to account for any special handling you may have done on their behalf?
- If you have a third party such as Xtend SRS Bookkeeping or other provider handle your daily ACH work, are you clear on what your responsibilities are versus theirs? Do you have a review process in place to make sure what is actually occurring on your member accounts is what you anticipated it would be?

What CU*Answers is Doing

In anticipation of credit unions contacting us and asking how we could adjust CU*BASE to avoid the unintended consequences of double fees, we are planning a meeting on May 9 to discuss some possible enhancements.

The main thing being considered now is to change the re-post process so that it does not post ANR fees at all, even if negative balance limits are used. *(This would not affect the initial ACH post program, only the re-post feature available via the Work ACH Exceptions screen.)* This would allow credit unions who wish to give their ACH exceptions one more pass to do so without additional ANR fees being posted in an automated fashion. *(Remember that NSF fees are never posted via this re-post feature in any case.)*

Whatever we do, the point would not be to create an elegant solution like what you have with clearing checks, which is a 2-day process. ACH is not a 2-day process, and if you listen to the Fed, soon it will be a real-time, all-day-long process. That's why we are *not* planning to invest in a solution that would, for example, adjust the NSF notices from the first posting pass and replace them with a new automated notice for the second pass. Just like now, you'll have to do that. (Have you been doing that?)

We are currently working on some routines to identify members that have had both NSF and ANR fees posted for the same ACH items, and potentially some batch programs that could post fee refunds. **These will be made available to your credit union by Friday, May 3, so watch for additional communications.** Then we'll need to hear from you about what help you need from us.

Many of you won't need to do anything at all, because all along you were refunding fees, adjusting notices, and communicating how you helped the member by not returning the item. But if this fell through the cracks for your credit union, you may want to analyze and post account adjustments. So now is the time to start talking with your teams about what your plan will be.

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