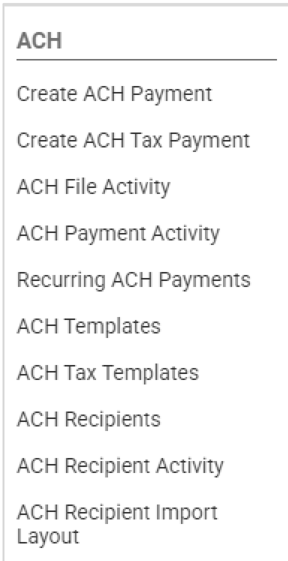
MISSION BANK

Treasury Management Services
ACH Origination Guide

Contents

ACH Origination Overview

The ACH menu is located under *Payments* on the services menu in Treasury Management Services (TMS).



The ACH system is used to send payments (credit transactions) or to collect payments (debit transactions).

ACH transactions are created by entering the recipient information manually, importing the recipient information from a spreadsheet, or from uploading a Nacha file produced by software.

Templates can be created for transactions that are regularly done to the same group of recipients.

ACH batches can be scheduled to go out automatically at recurring intervals, or at a specified date in the future.

The Automated Clearing House (ACH) network processes electronic payments and the ACH network is governed by the National Automated Clearing House Association (Nacha). There are strict rules and guidelines (the “Rules”) set in place by Nacha. Bank customers must follow the Rules or risk losing access to ACH origination.

One of the key requirements is to correctly identify the recipient of your ACH transactions as a person or a company. They are identified by standard entry classification (SEC) codes:

- **PPD** (Prearranged Payments and Deposits) is used for any credit or debit to a person’s account.
- **CCD** (Cash Concentration and Disbursement) must be used for credits or debits to business accounts.

It is important to choose the correct SEC code when originating payments because there are different return rules regarding consumer vs. business transactions. Using the incorrect code can cause unnecessary risk to your company. It’s also important to obtain authorization from the recipients of ACH transactions.

Customer compliance with the Rules is monitored by Mission Bank.

Creating ACH Payments

Creating ACH transactions involves the following steps: the header information is added, recipients are created or uploaded, the transactions are reviewed, and the batch is confirmed (approved) and released to the bank.

Cut-off times are listed in TMS at the top of the screen.

Header Information

Electronic payments are processed as text files and must conform to a file specification established by Nacha. TMS formats data to Nacha specifications, but it is the responsibility of the user to enter or choose the correct information in the header.

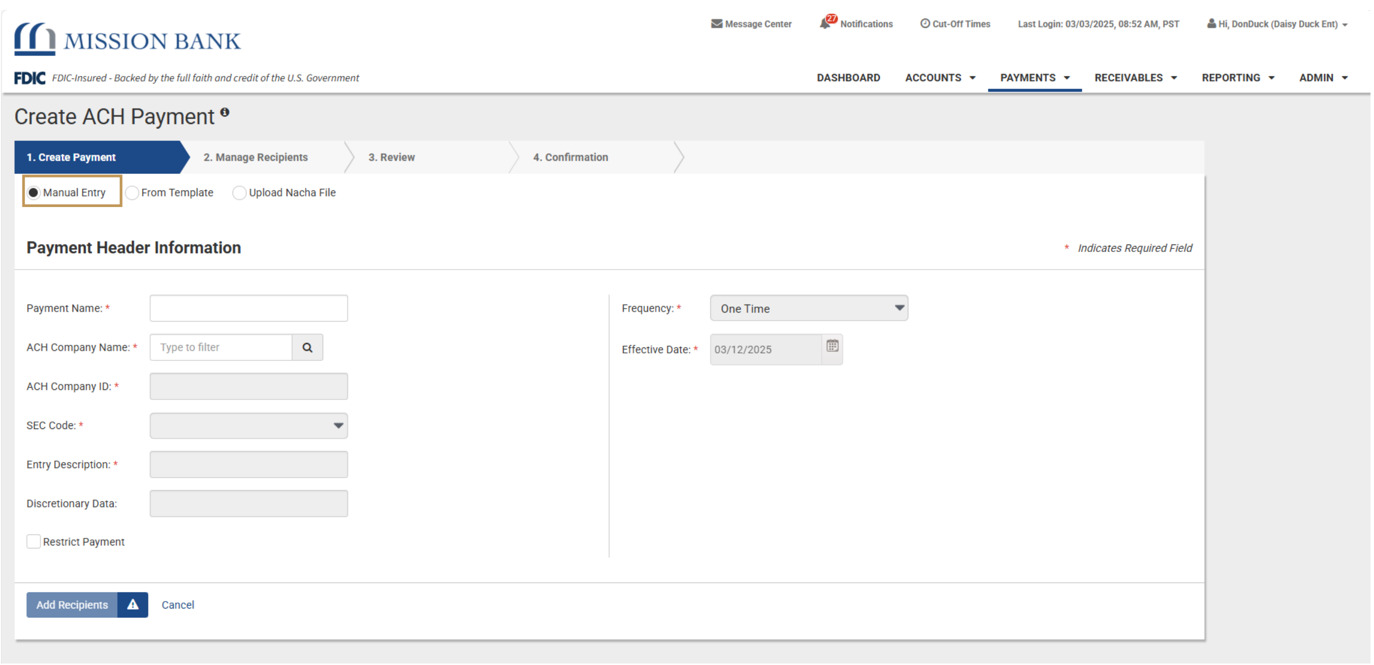
The options for creating transactions are:

- Manual Entry
- From a Template
- Upload a Nacha File

Header information varies depending on the option chosen for creating the transactions.

Manual Entry

Some of the header fields populate or have options based on the implementation request for your company. The field descriptions are below.



All fields with a red asterisk (*) are required.

- Payment Name – for originator's use, the user determines the content

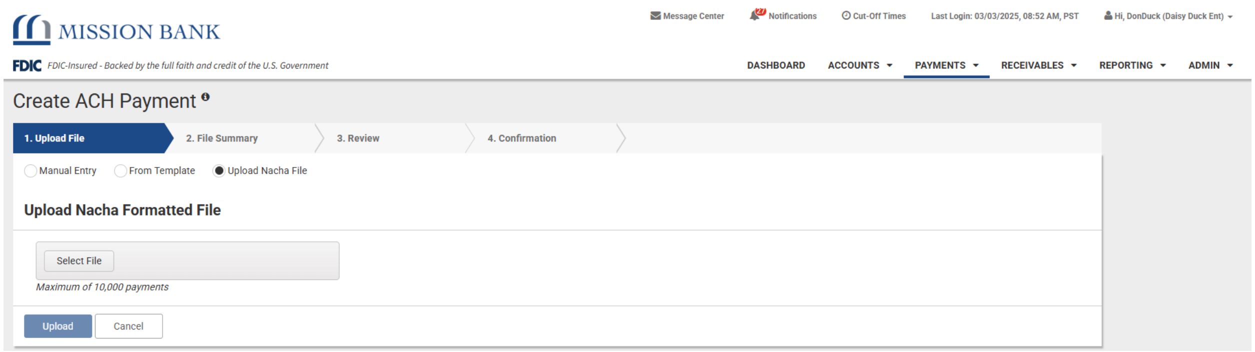
- ACH Company Name – the search will produce options based on company set-up
- ACH Company ID – will auto-populate based on company name chosen
- SEC Code – user must choose PPD for transactions to persons, CCD for transactions to companies (a batch can only have one SEC code – if sending both types of transactions, use separate batches)
- Entry Description – will auto-populate but user can edit if needed
- Discretionary Data – for originator's use, the user determines the content
- Restrict Payment – used in conjunction with user entitlements to make some batches private, if needed
- Frequency – ACH transactions can be one-time or recurring
- Effective Date – the date that transactions will post to recipients' accounts
- Offset Account – the search will produce account options based on company set-up

From a Template

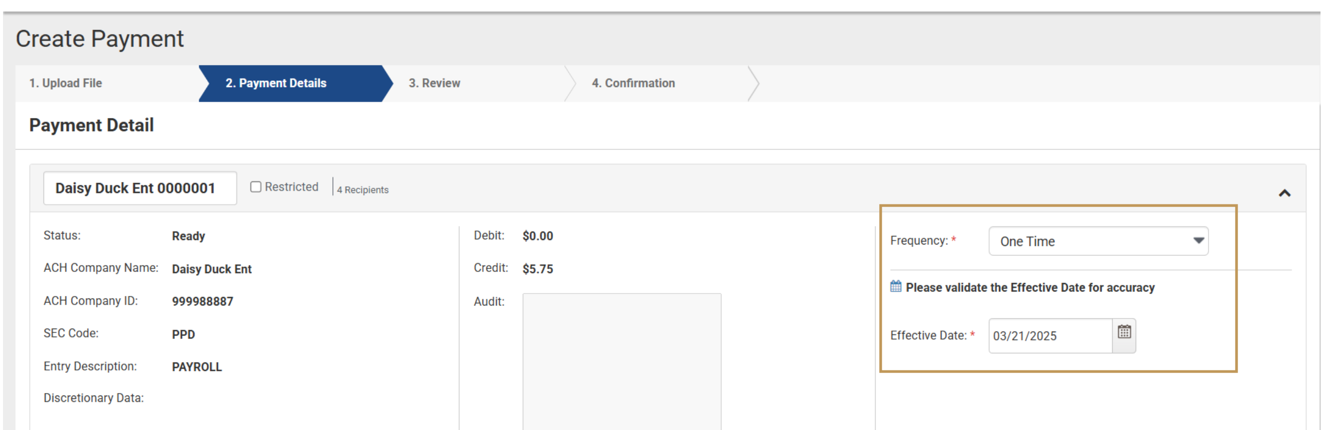
When this option is chosen the user will be taken to the ACH Templates listing (see *ACH Recipients vs. ACH Templates*) to choose a saved template. The header information is entered when the template is created. The field descriptions are the same as listed above.

Upload Nacha File

Nacha files are produced by software, saved locally by the user, and uploaded to TMS.

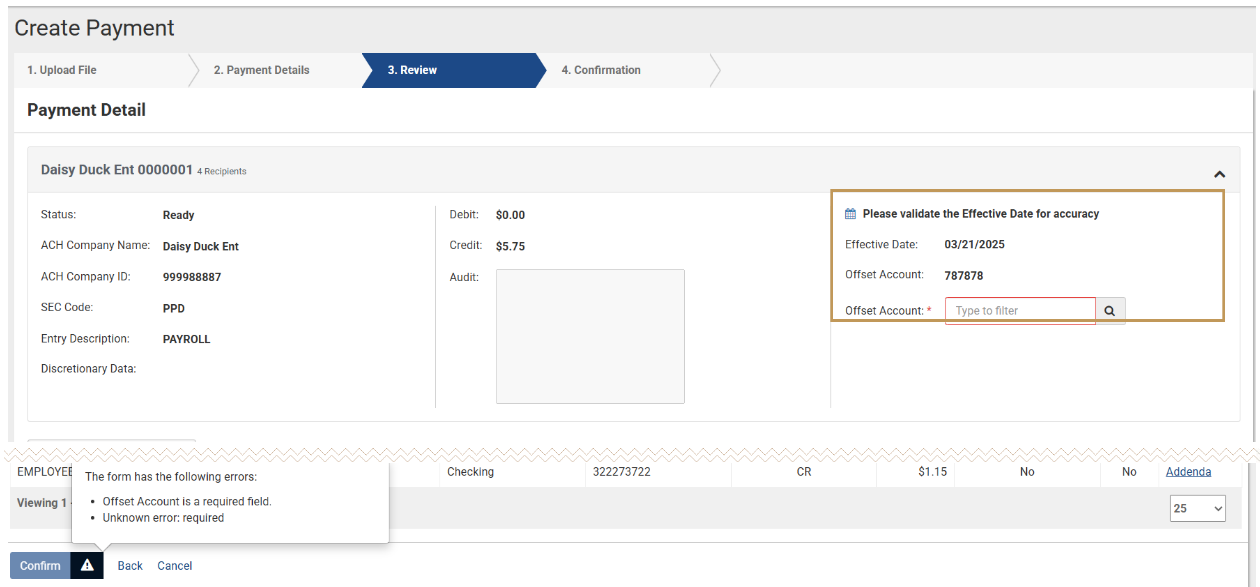


The user must enter the frequency and confirm the effective date.



After the Review step is completed the offset account must be selected before the Confirm button will become active.

> ***Please Note:*** *If the Nacha file contains more than one batch the Offset Account window will appear on the right side of each batch.*



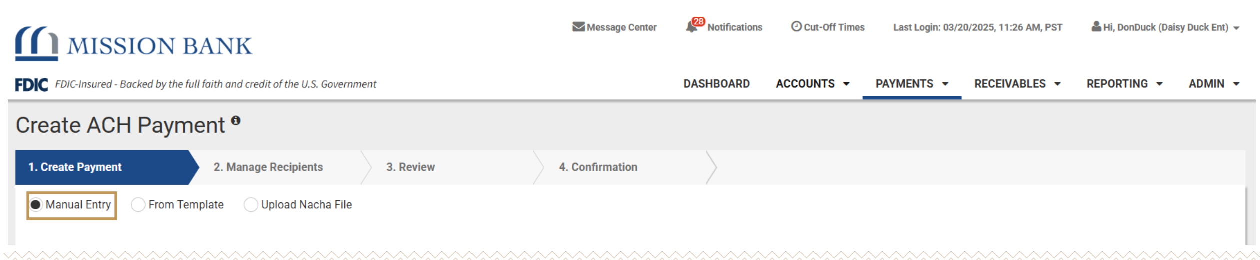
ACH Recipient Entry

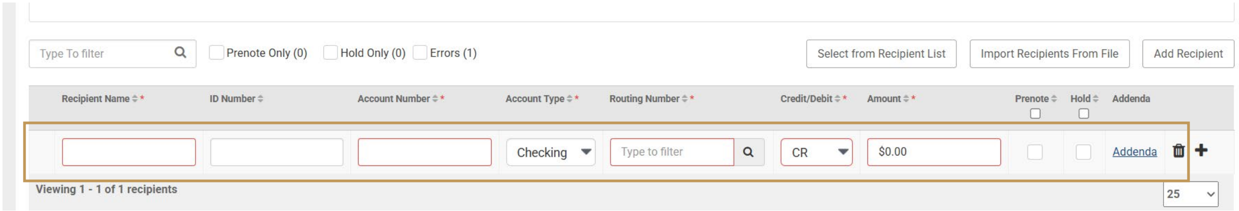
After choosing how entries will be created, recipients are added, and just like when creating the header, the recipient entry varies depending upon the option chosen.

To expedite future transactions, recipients can be saved to a master list, or templates that include recipient information can be created and saved. Refer to the *ACH Recipients vs. ACH Templates* section below for more detail on those options.

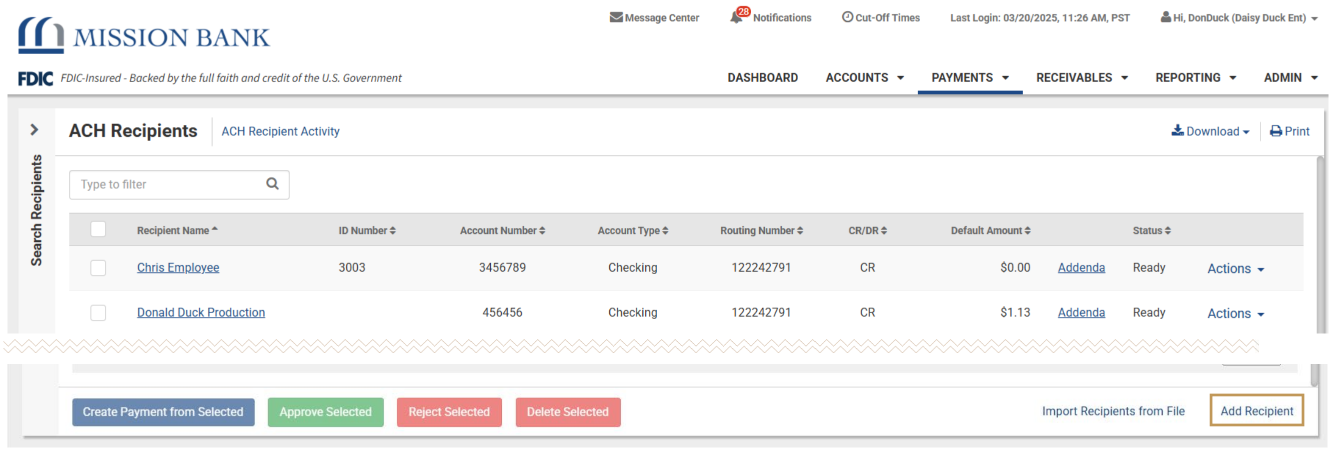
Manual Entry

If entering a one-time transaction, the recipient bank information can be entered directly into the *Create ACH Payment* screen.



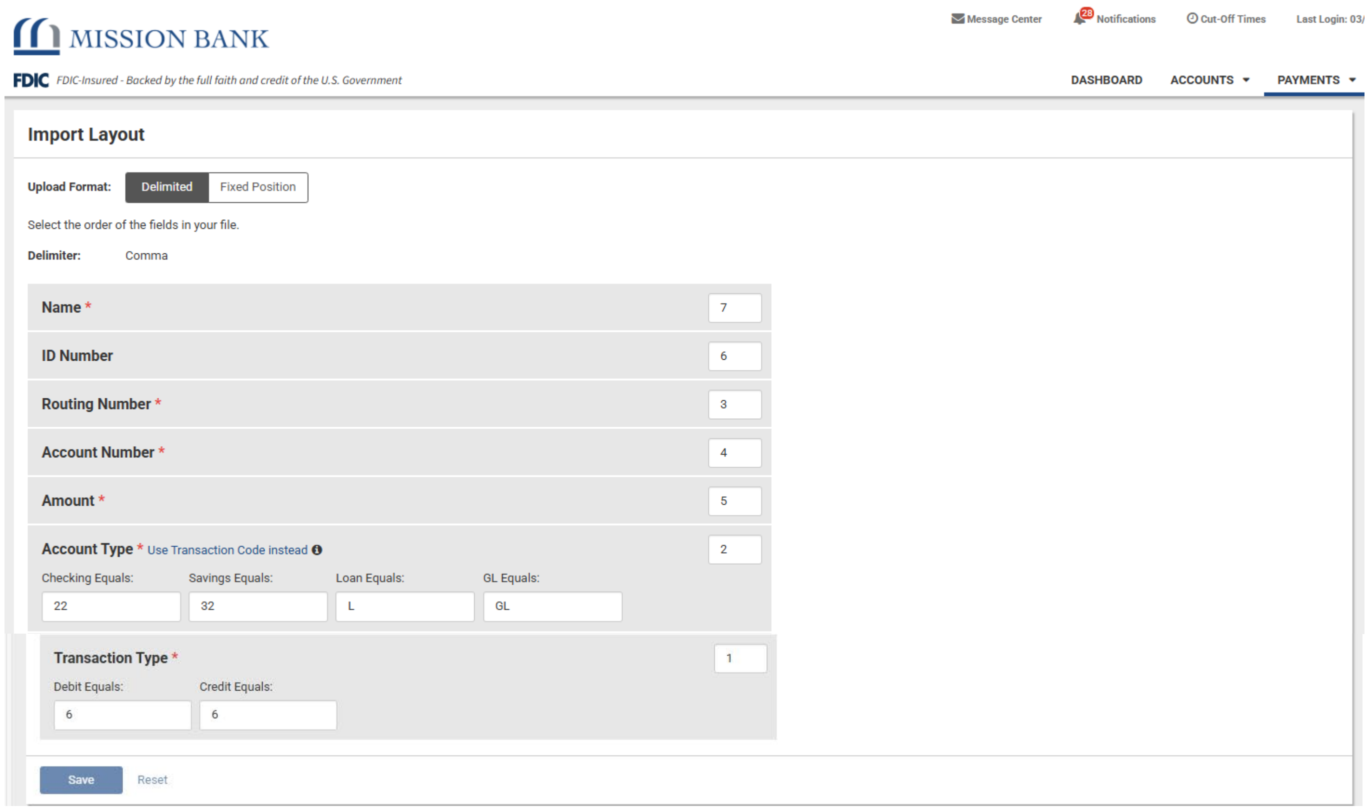

Type To filter
Prenote Only (0)
Hold Only (0)
Errors (1)
Select from Recipient List
Import Recipients From File
Add Recipient
Recipient Name
ID Number
Account Number
Account Type
Routing Number
Credit/Debit
Amount
Prenote
Hold
Addenda
Checking
Type to filter
CR
$0.00
Addenda
Viewing 1 - 1 of 1 recipients
25

If the recipient will receive other transactions in the future they can be entered in *ACH Recipients* and the bank information will be retained.



Template – Layout Configuration

When recipients are being imported from a CSV file, the first step is to configure the *ACH Recipient Import Layout* so the system knows what information is in each column of the spreadsheet. The fields containing asterisks (*) are all required fields.



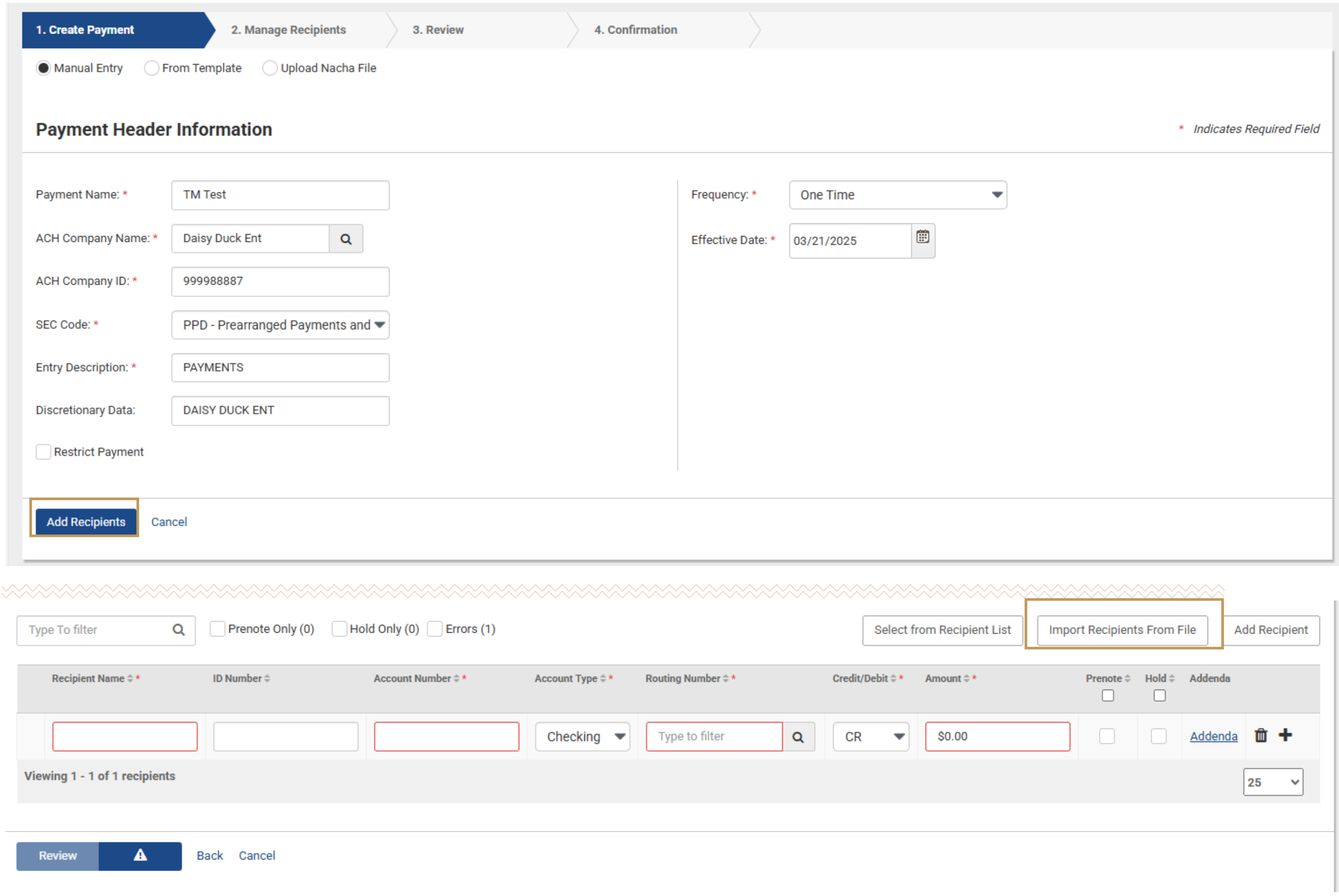
The configuration above indicates the Name is in the first column of the spreadsheet, the Account Number is in the second column, etc.

Please Note: The Account Type entry fields and Transaction Type entry fields shown above are case-sensitive and must exactly match what is on the spreadsheet.

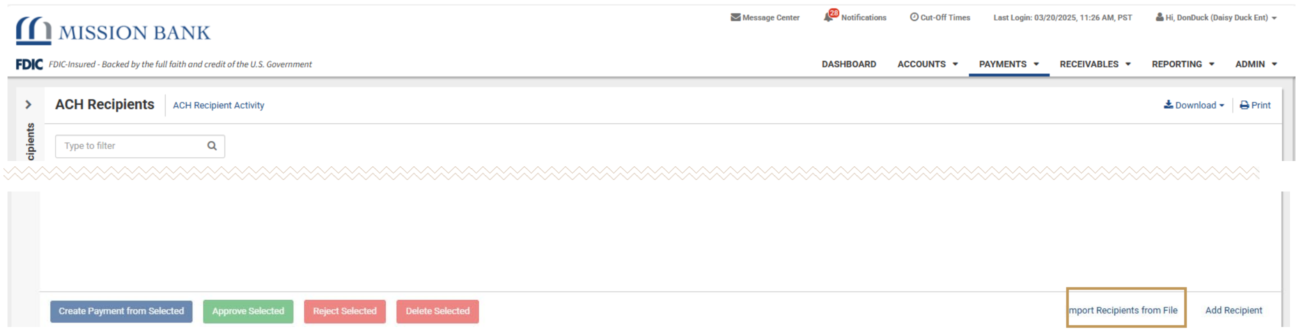
The import configuration will be saved in TMS; however, only one import format is retained. Importing from a spreadsheet with a different configuration will require overwriting any existing configuration.

Template – Spreadsheet Import

Once the import layout has been configured, the recipient data from a spreadsheet can be imported to create the transactions.



If future transactions will be sent to the recipients, the entries can be saved as *ACH Recipients* or a template can be created.



Nacha Upload

Nacha formatted files are produced by software programs, based on a configuration set up within the software program. A representative from the software company must assist with any needed software configuration. Mission Bank accepts credits-only files and/or debits-only files and PPD transactions and CCD transactions must be in separate batches.

Contact your Business Banker to request an ACH file specification sheet.

When using a Nacha file, a sample of the file's first two lines of text must be provided to Mission Bank to correctly configure the profile in TMS.

This is a sample of the first two lines of a credits-only file (indicated by the 220 service class code; 225 is the debits-only code) going to personal accounts (PPD):

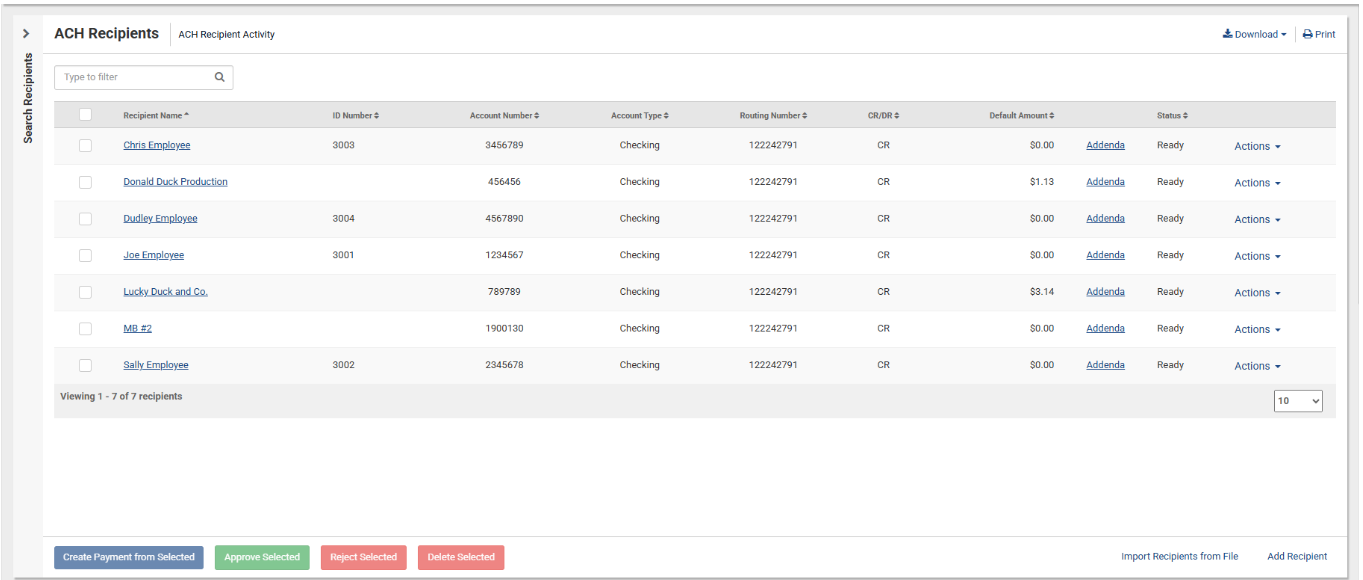
101 122242791 2635887241208061519A094101MISSION BANK   mission bank
5220Daisy Duck Ent   999988887PPDPAYROLL   120806120806   1122242790000301

ACH Recipients vs. ACH Templates

Creating recipients and templates are ways to automate the payment process if payment information is being entered either manually or imported from a spreadsheet.

Each recipient of ACH entries is entered individually into TMS and they form an alphabetical list. When creating ACH batches recipients are chosen from the master recipient list.

When transactions to a recipient will always be for the same amount, then the amount can be added as part of the recipient's entry detail, otherwise dollar amounts can be zero.



Templates group two or more recipients together in a batch, making it easy to send transactions to a group without selecting individual recipients each time.

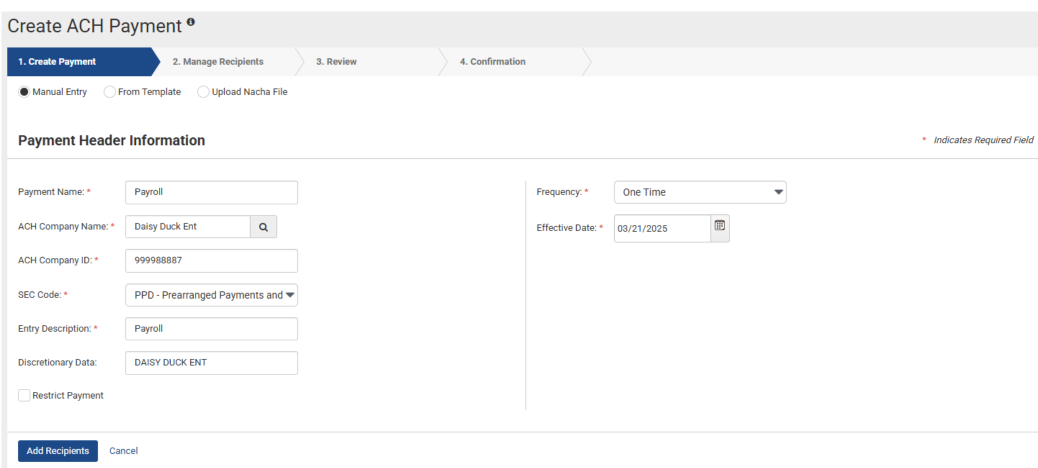
> ***Please Note:*** *Transactions to people must be in separate batches from transactions to companies; credit transactions must be in separate batches from debit transactions.*

Templates can be created from two different menu options: Create ACH Payment or Create ACH Template.

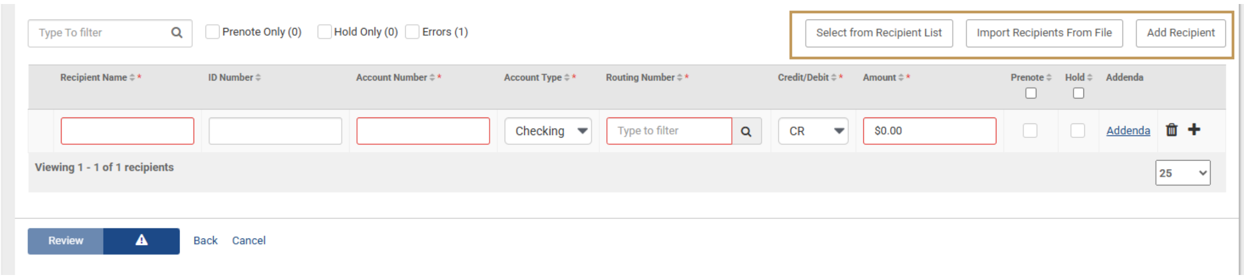
The key difference is that when using *Create ACH Payment* the recipients can be selected from the *ACH Recipient* list in addition to being added manually or imported from a file. When using *Create ACH Template* the recipient information can only be added manually or imported from a spreadsheet.

Create ACH Payment

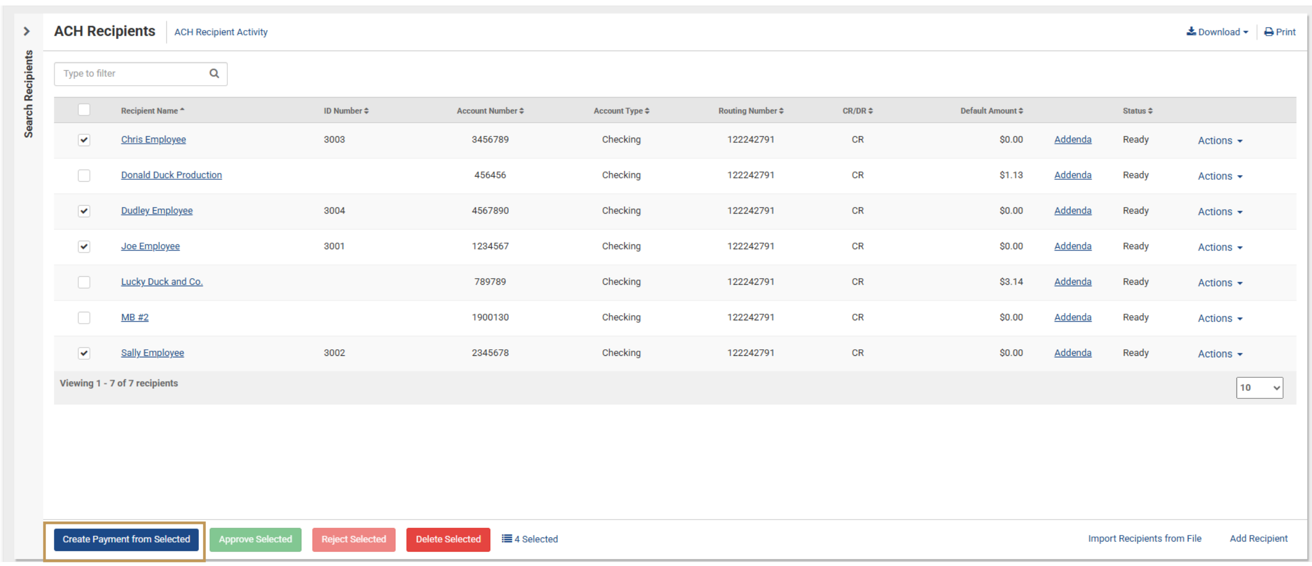
Enter the header information and settlement details, then add the recipient information.



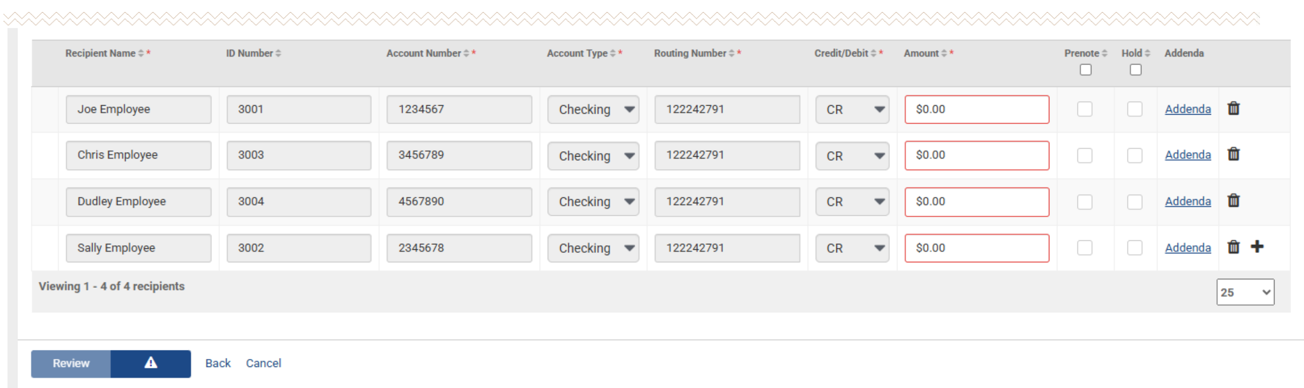
There are user options for adding the recipient information:



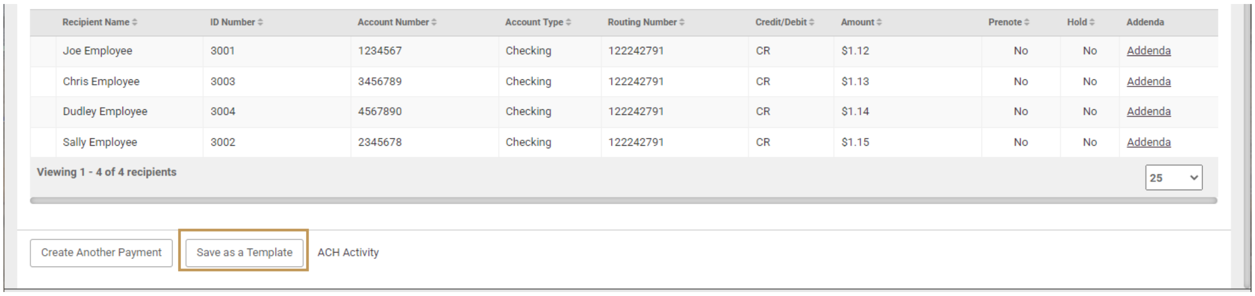
When selecting from the Recipient List simply choose the desired people or companies and choose Create Payment from Selected.



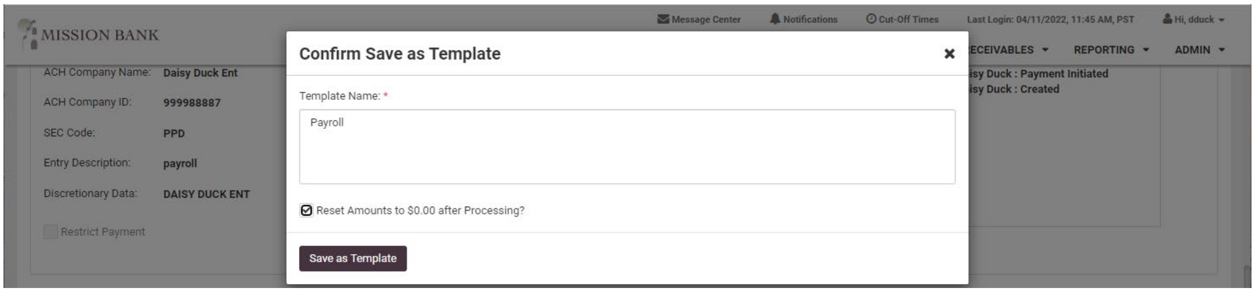
The recipients will be moved into the batch that was created and the dollar amounts can be added, if necessary.



After the batch has been sent to the bank there will be an option to create a template at the bottom of the screen:



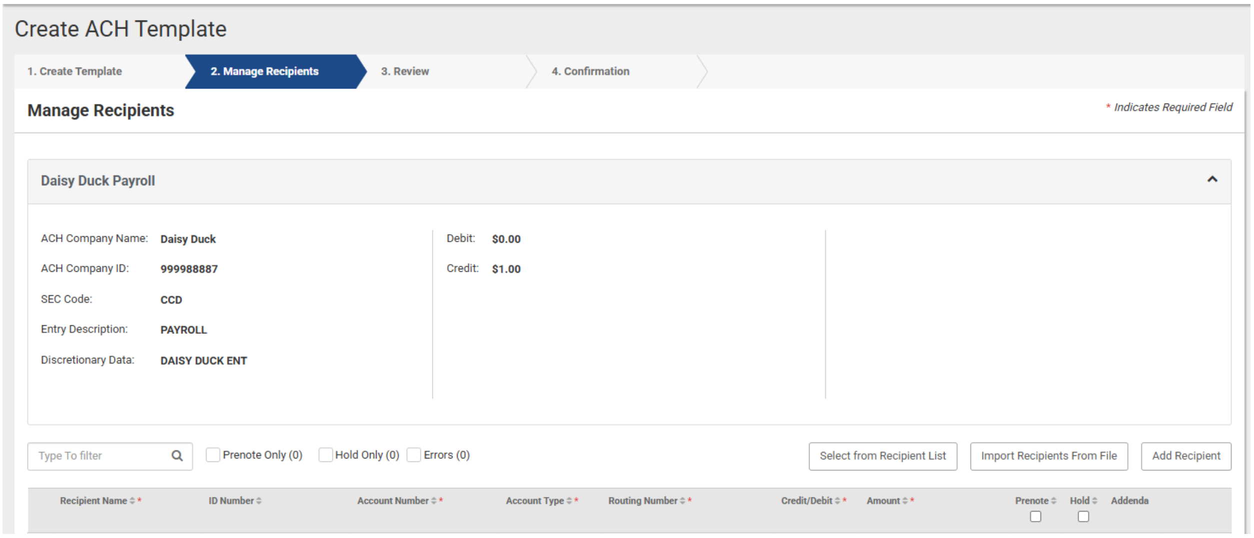
The user will have the option to reset the amounts to zero, which is recommended if the amounts change from time-to-time.



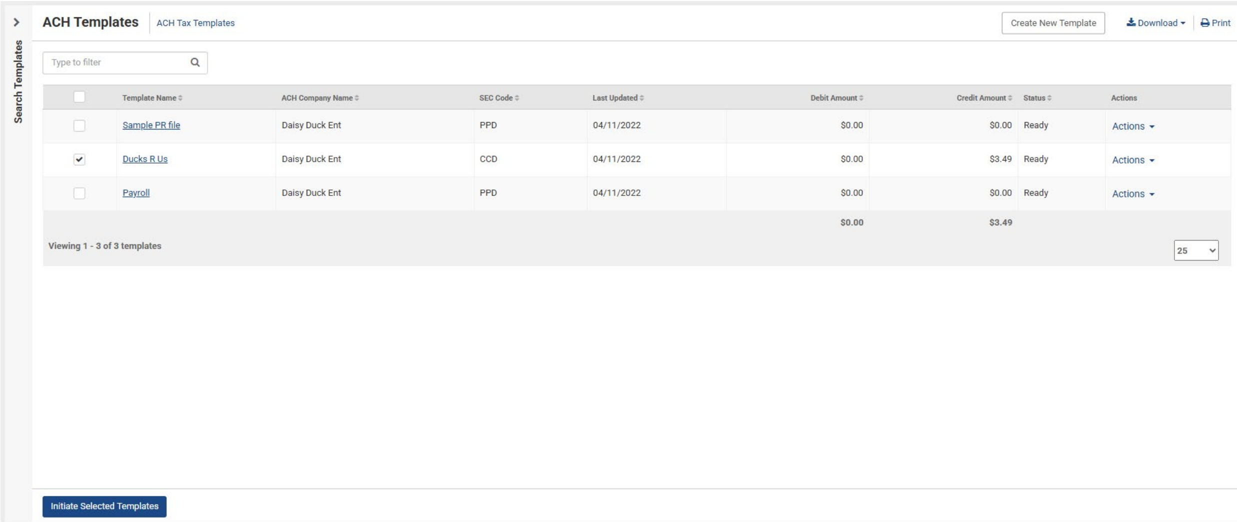
Create ACH Template

This option is very similar to the process above, but instead of making the payments and then saving the transactions as a template, the recipient information is entered and saved, then the transactions are made.

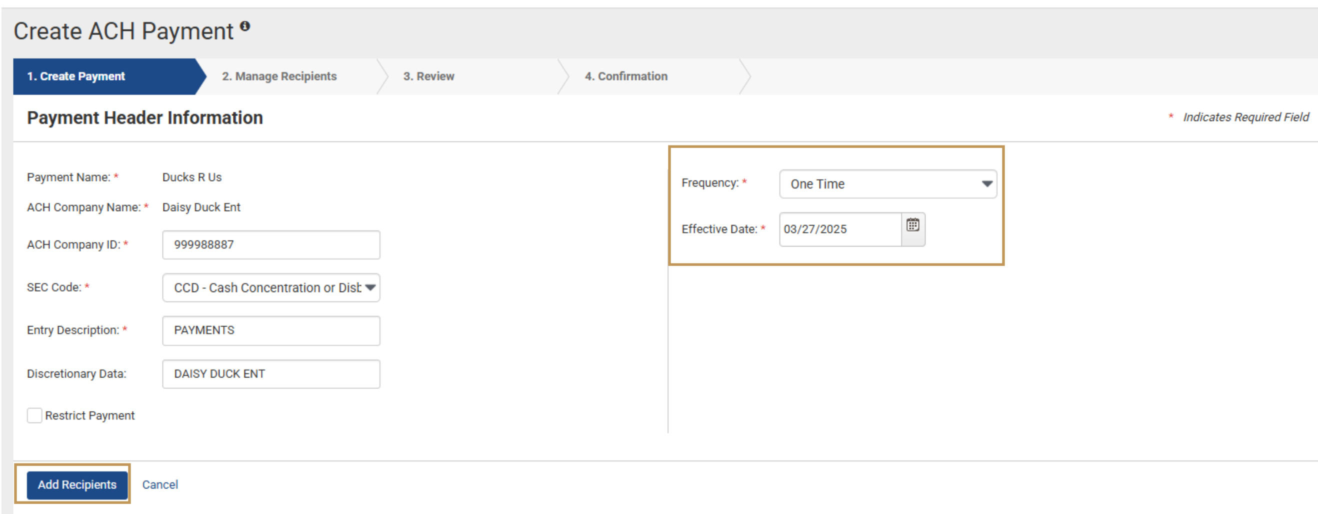
Begin the template by entering the header information, then add the recipient information, either manually or import from a spreadsheet.



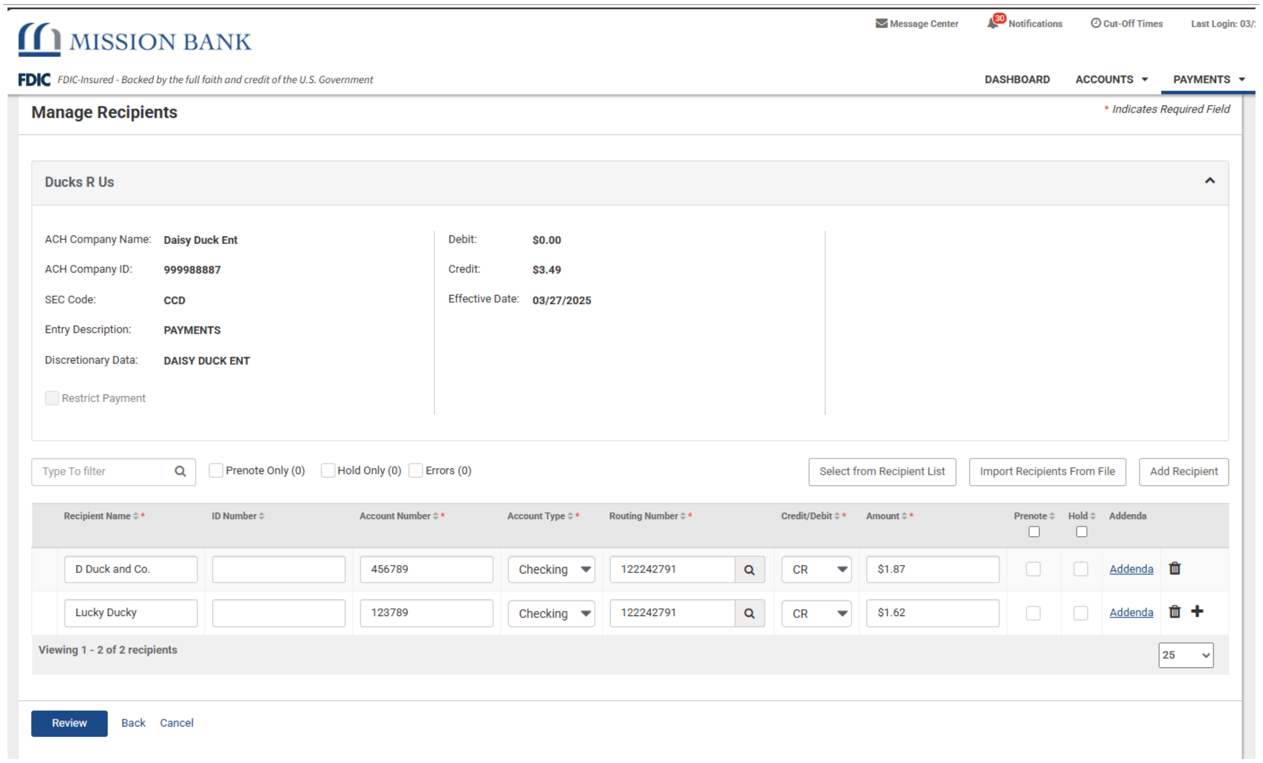
Templates retain all of the recipient information and can be used whenever needed.



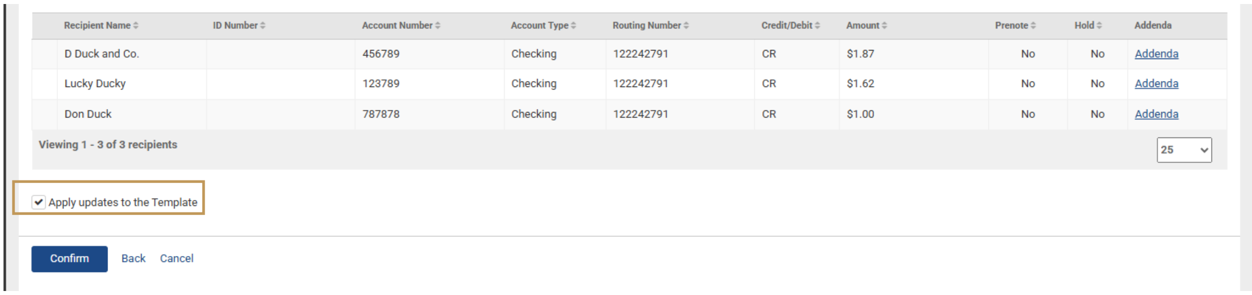
Most of the header information populates based on what was saved when the template was created, and the user designates the frequency, effective date, and offset account for that particular batch.



Choosing Add Recipients (shown above) will bring in all of the recipient information from the template, then recipients can be added, deleted, or edited, if needed.



If there are edits to the recipients the user can choose to add the updates to the template for future use.



Approving ACH Batches

Each company determines whether they want ACH origination in single control, where one user can create and approve batches, or if dual control is required, where one user creates the batch and another user is required to approve and release the batch.

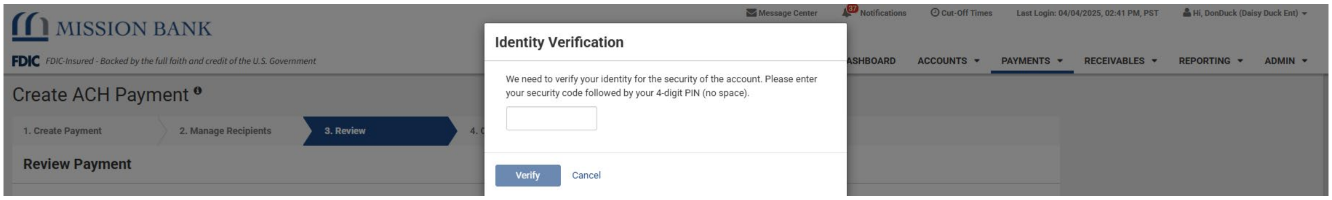
To prevent unauthorized use of ACH origination, users that can send or delete ACH batches must authenticate their identity, using either the VIP Access secure token app or an automated phone call or text. (All company users must use the same method – either a secure token or the phone/text option.)

Single Control

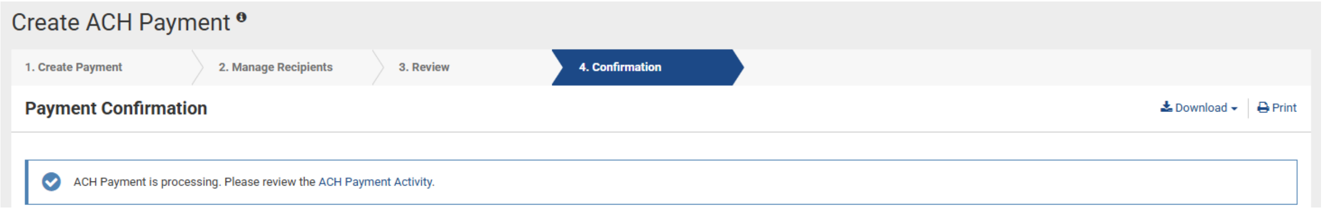
If your company allows single control, the same person creating the payments can release the payments to the bank.

After the header is established and the recipient information is entered, the user reviews the batch data for accuracy, then the system allows the user to confirm the release. At this point, the identity authentication is performed.

This is an example of authentication using a secure token:



A processing confirmation message will be generated.

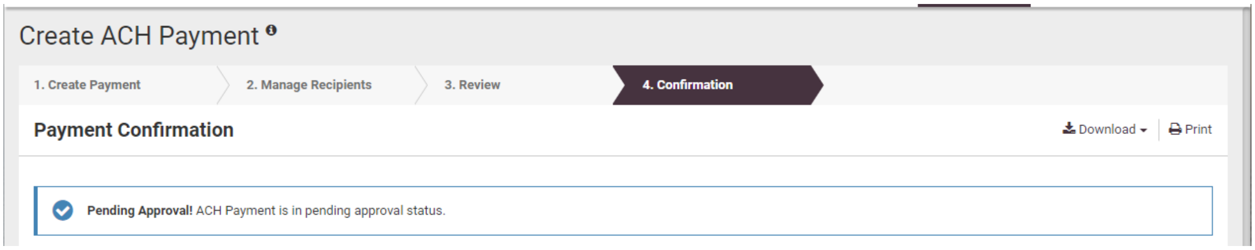


Dual Control

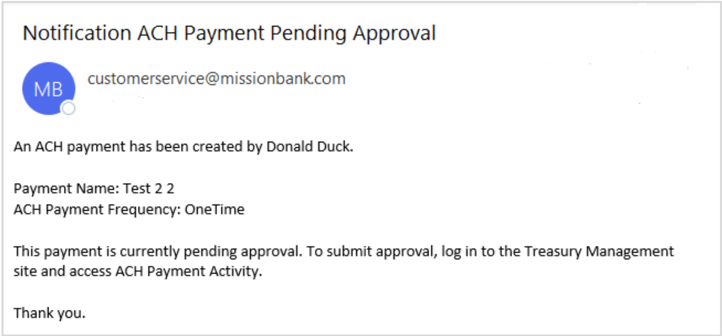
User #1

If your company uses dual control, user one enters the batch data, then reviews and confirms the accuracy of the batch.

The system generates a message that the file is pending and ready for an authorized approver to release it to the bank.

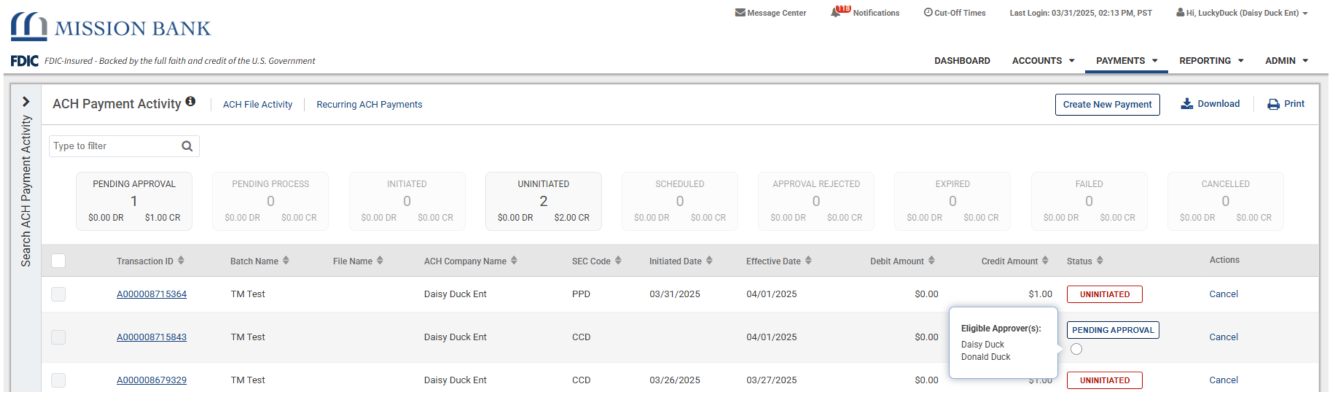


When an ACH batch has been entered and is pending approval each user that has the ACH approval entitlement will receive an email:

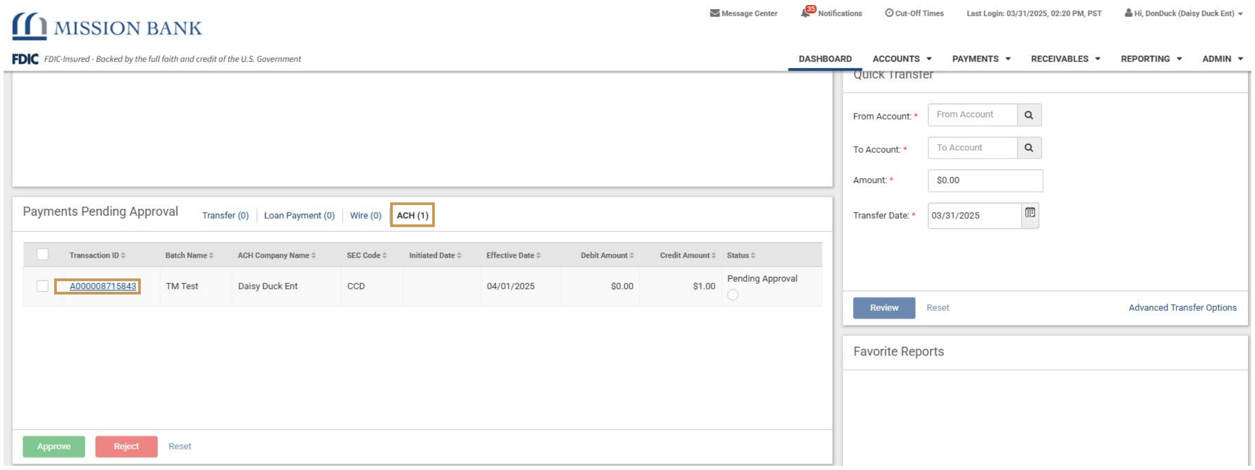


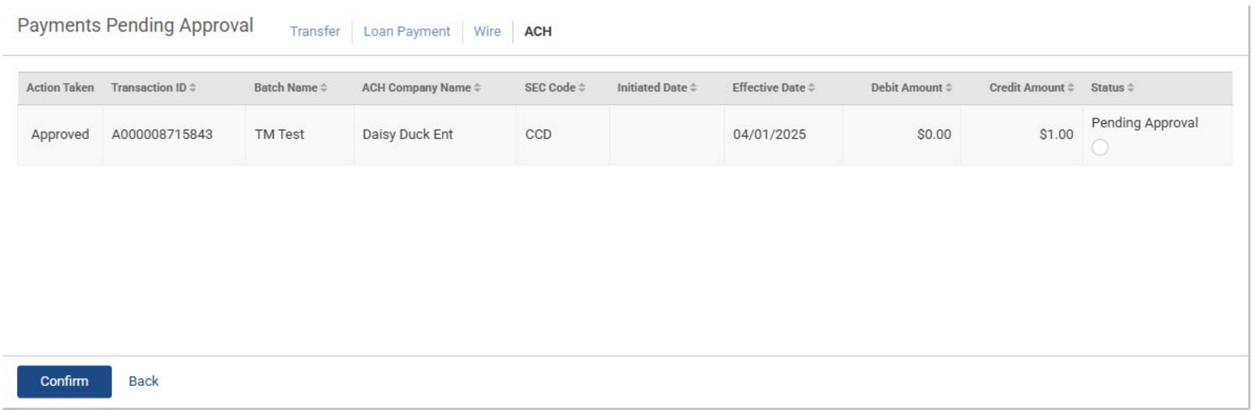
User #2

ACH approvals can be completed from either the *Payments Pending Approval* widget on the dashboard or *ACH Payment Activity* in the Payments menu (batches can also be cancelled, if needed). Eligible approvers display when hovering over the Pending Approval button.

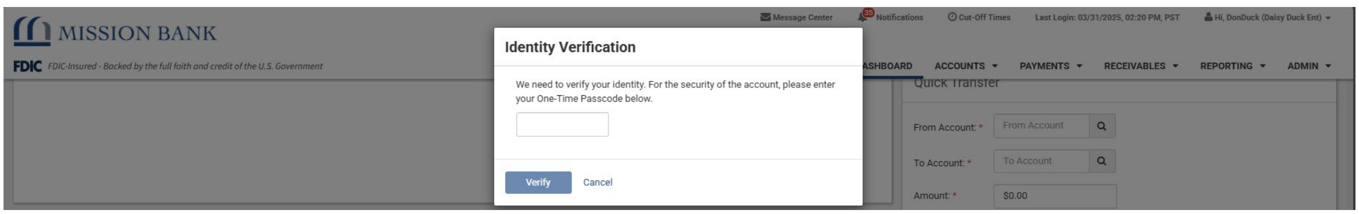


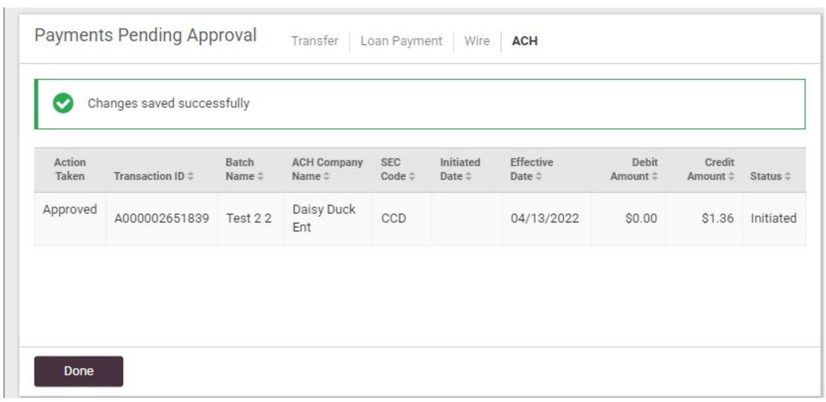
A small number of pending batches can easily be decisioned directly from the TMS dashboard. The widget indicates the types of pending payments and how many there are. Clicking “ACH” displays the items that need to be reviewed and clicking on the Transaction ID will show the details of the batch.





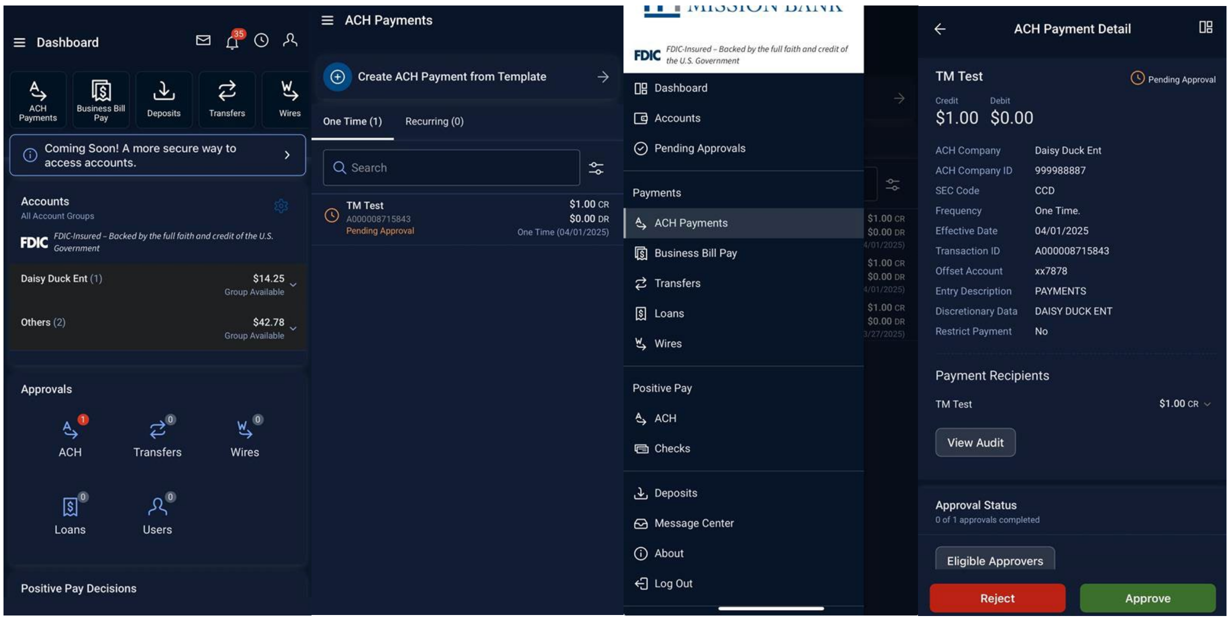
The approver must authenticate their identity. The example below shows a text verification.





The TMS mobile app can also be used to approve dual control ACH batches. The functionality and the process are the same as from a desktop.

ACH batch approvals can be managed from the dashboard landing page of the app or from the menu. (The dashboard must be configured on a desktop and the settings will transfer to the app.)



The ACH batch details and recipients can be viewed by the approver prior to approval.

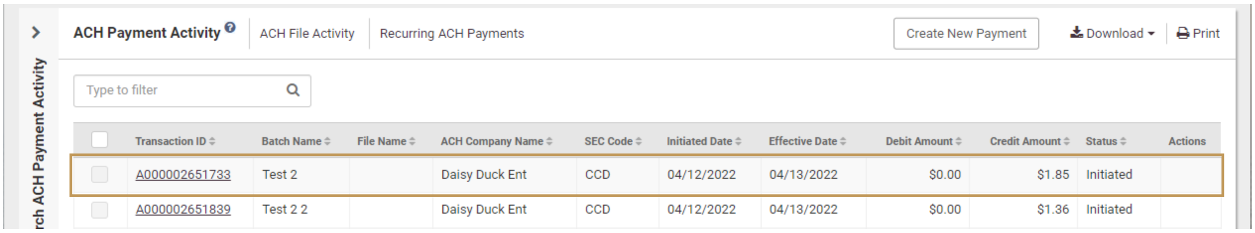
ACH Payment Reversals

Full batches of payments or individual transactions can be reversed if an error was made; however, reversals are only allowed during a specific window:

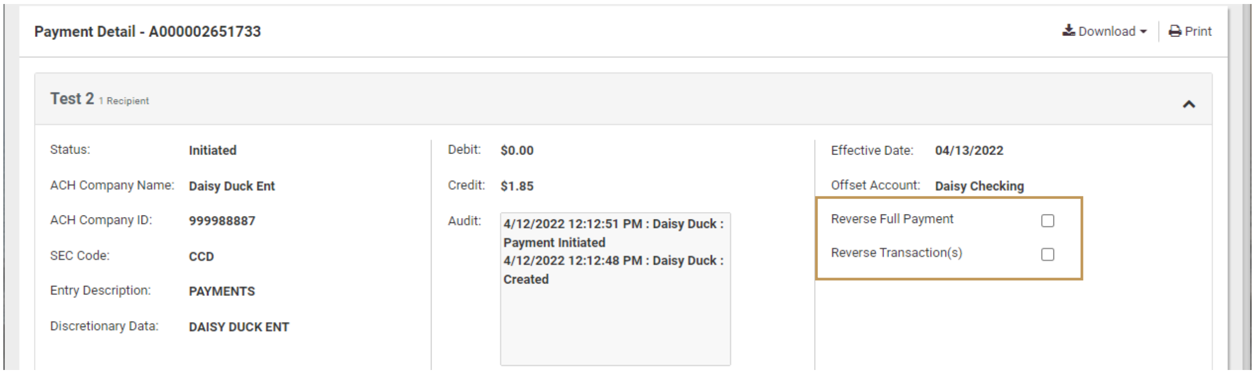
- Before cutoff on the first through fifth business days after the effective date
- After cutoff on the first through fourth business days after the effective date.

Please Note: *Mission Bank must be contacted prior to reversing any payments or batches because your company settings may need to be adjusted to allow the reversal.*

To begin a reversal, go to *ACH Payment Activity* and locate the batch or transaction.



Click on the Transaction ID to open the batch. If it is within the reversal window period, the reversal options will display. Choose to reverse the entire file (Reverse Full Payment) or individual transactions.



The user reviews and confirms their reversal and enters their authentication code.

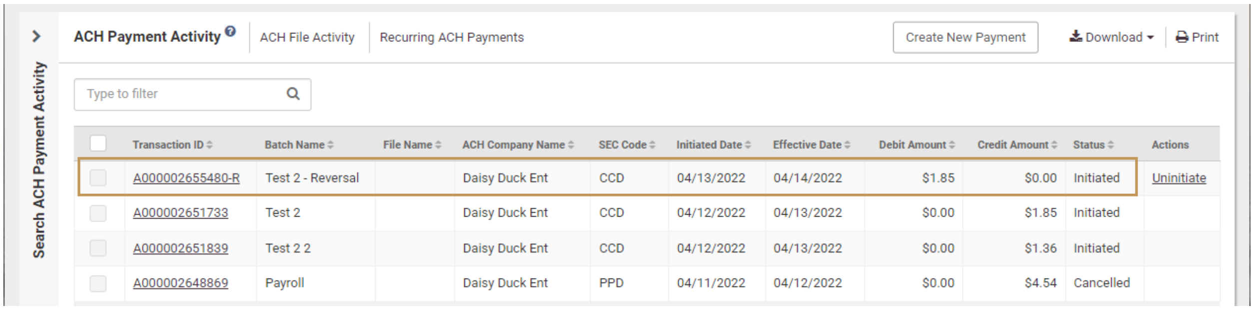
When a company is in single control a confirmation message will appear and the reversal is complete.

If a company uses dual control, approving the reversal is the same as initiating an ACH batch. Reversals go to a pending status and a second user must approve and release the reversal to the bank.

Reversals are approved the same way as an ACH batch. They can be done from the Payments Pending Approval widget on the dashboard, from *ACH Payment Activity* on the Payments menu, or from the TMS mobile app.

After the second user has released the reversal a “successfully saved” confirmation message will generate.

ACH reversals appear in *ACH Payment Activity* and are easily identifiable.



Transaction ID	Batch Name	File Name	ACH Company Name	SEC Code	Initiated Date	Effective Date	Debit Amount	Credit Amount	Status	Actions
A000002655480-R	Test 2 - Reversal		Daisy Duck Ent	CCD	04/13/2022	04/14/2022	$1.85	$0.00	Initiated	Uninitiate
A000002651733	Test 2		Daisy Duck Ent	CCD	04/12/2022	04/13/2022	$0.00	$1.85	Initiated	
A000002651839	Test 2 2		Daisy Duck Ent	CCD	04/12/2022	04/13/2022	$0.00	$1.36	Initiated	
A000002648869	Payroll		Daisy Duck Ent	PPD	04/11/2022	04/12/2022	$0.00	$4.54	Cancelled	