

MEMBERS 1ST CREDIT UNION

ACH POLICY AND PROCEDURES

Revised 01/2025

Approved 01/16/2025

POLICY

It is the policy of Members 1st Credit Union (“Credit Union”) to accept incoming Automated Clearing House (ACH) transactions and serve as a Receiving Depository Financial Institution (RDFI). The Credit Union is currently not an Originating Depository Financial Institution (ODFI).

The Credit Union will conduct ACH activities in compliance with all applicable rules of the National Automated Clearing House (NACHA), any applicable regional clearing house association rules, Federal Reserve Electronic Fund Transfer Act (EFTA) (Regulation E), and other applicable federal and state laws. The Credit Union uses encryption or secured sessions when transmitting all banking information. The Credit Union’s CEO is responsible for compliance with applicable laws, regulations and clearing house rules.

PROCEDURES

The Credit Union will adhere to all statutory rules in order to ensure proper postings and returns are processed in a timely manner. The Credit Union will utilize the pre-defined ACH return codes and Standard Entry Class (SEC) codes at all times. All return entries must have a valid reason and must be returned by the following business day (some exceptions listed below).

The Credit Union will also:

- Verify that pre-notifications received are for valid accounts and that when a pre-notification is not processable or is erroneous, the pre-notification is rejected on a timely basis through the return entry procedures, or the change is requested through the notification of change procedures.
- Ensure that Notifications of Change (NOC), also referred to as COR, is transmitted within two banking days of the settlement date of the entry to which the NOC/COR relates. If item is returned to the originator, and the originator does not respond to the return within two payment cycles, verify that the NOC/COR was properly formatted and make sure that the NOC/COR contained the correct original RDFI routing number. If the NOC/COR was correctly formatted, the Credit Union will contact Bureau of Fiscal Service for resolution and make sure that rejected NOC/COR is acknowledged and resolved.
- Verify that, subject to the Credit Union’s right of return, all types of ACH entries and prenotifications are accepted.
- Return any credit entry that is not credited or otherwise made available to a receiver’s account by transmitting a Return Entry 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.
- Ensure that funds from same day ACH credits processed in the first processing window will be made available for members to withdraw by 1:30 p.m. (Credit Union’s local time), funds from

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same day ACH credits processed in the second processing window will be made available for members to withdraw by 5:00 p.m. (Credit Union's local time) and funds from same day ACH credits processed in the third processing window will be made available for members to withdraw by end of processing day. International ACH transactions or transactions over \$25,000.00 are not eligible for same day ACH.

- Ensure that funds from next-day ACH credits will be available for members to withdraw by 9:00 a.m. (Credit Union's local time) on the Settlement Date, if the credits were available to the Credit Union by 5:00 p.m. (Credit Union's local time) on the previous day.
- Ensure that debit entries are not posted prior to settlement date.
- Make available, as part of the member's account statement, the originating company's name, and entry description with respect to each debit and credit entry.
- Ensure that dishonored return entries received by the Credit Union are handled appropriately, and that contested dishonored return entries and corrected returns are initiated in a timely manner.
- Ensure that signed Written Statement of Unauthorized Debit (WSUD) affidavit (Exhibit "A") and Affidavit of Improper ACH Debit Activity (Exhibit "B") are obtained from members for all returns bearing Return Reason Codes R07 (authorization revoked by customer) and R10 (customer advises not authorized, ineligible or part of an incomplete transaction), R11 (Check Truncation Entry Return), R17 (File Record Edit Criteria), R37 (Source Document Presented for Payment), R51 (Item Related to RCK Entry Is Ineligible or RCK Entry Is Improper), and R53 (Item and RCK Entry Presented for Payment). If using return code R17, the Credit Union must utilize the word "QUESTIONABLE" in the return addenda record of the return entry.

The signed affidavit should be received by the Credit Union prior to initiating the return. The WSUD will be permitted to be signed and dated on or after the date on which the entry is presented, even if the debit has not yet been posted to the account, to improve the process when debits are claimed to be unauthorized. When returning a debit to the Originating Depository Financial Institution (ODFI) as unauthorized in the extended return timeframe, the Credit Union must do so by the opening of the sixth Banking Day following the completion of its review of the member's signed WSUD, but in no case later than the sixtieth (60) calendar day following the Settlement date of the original entry.

- At the Credit Union discretion, return of a member's destroyed check (XCK) debit must be made no later than sixty (60) calendar days from the date of the original entry.
- Ensure that, for each PPD debit entry constituting notice of presentment of an eligible item for which a stop payment has been placed on the item to which the PPD entry relates, the adjustment entry is received by the ODFI no later than the sixtieth (60) calendar day following

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the settlement date of the original entry. The Credit Union must obtain an executed stop payment request form (Exhibit "C") prior to returning the item.

- Respond to all Death Notification Entries (DNE) as required.
- Ensure that all International ACH Transactions (IAT) are processed in accordance with the Office of Foreign Asset Control (OFAC) rules and regulations.
- Provide a 30-day notice to a member, prior to account closure, if the member is receiving government payments. Exceptions would be if the member requested the account closure or if there were fraudulent transactions involved, whereas the account can be closed immediately.
- Prevent credits to accounts where the account holder is deceased and check for post-death federal government benefit payments before responding to request for the return of reclamation.
- Perform daily balancing of settlement totals and immediately resolve any rejects or other differences. The Credit Union will also monitor exceptionally large-dollar settlement totals. Review of all balancing should be performed by a second employee.
- Limit access to all ACH applications to key employees only. Dual control should be established for all incoming ACH entries and returned items.
- Comply with and provide members all required disclosures related to Electronic Transactions, to include member's rights under Regulation E's Error Resolution, Regulation D (Transfer Limitations), and Universal Commercial Code Article 4A.

TRAINING

All Credit Union staff whose duties include any ACH related tasks will be provided ongoing training in order for the Credit Union to stay compliant. The Credit Union will also maintain a membership with New England Automated Clearing House (NEACH) both for the guidance they provide as well as training courses and other resources that they have available.

BONDING

The Credit Union will maintain adequate bonding for employee errors and omissions and faithful coverage.

AUDIT & RISK ASSESSMENT

The Credit Union will, in accordance with standard auditing procedures, conduct an annual audit of compliance in accordance with the requirements of the ACH Rules and will additionally conduct an annual ACH risk assessment (see Exhibit "D"). Additionally, an annual ACH Audit Review must be

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conducted by the Credit Union core system provider. Results from these audits, as well as responses by the Credit Union, will be forwarded to the Supervisory Committee and shared with the Board of Directors.

RECORD RETENTION

In accordance with the ACH rules, all data received and sent via ACH transmittal, as well as all audit results, must be retained for six (6) years. Electronic storage of data is acceptable.

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Exhibit "A"

Members 1st Credit Union
Affidavit of Unauthorized ACH Debit Activity
Windham County, State of Vermont

NOTE: This affidavit must be completed and returned promptly to Members 1st Credit Union before the Credit Union is able to initiate the return.

I, _____, account # _____ have examined my statement or other notification from Members 1st Credit Union indicating that an ACH debit was charged to my account on _____, 20____, in the amount of \$ _____. The originating company is listed as _____.

I attest that: (check one)

_____ I did not authorize, and have not ever authorized, in writing, the originating company that appears above to debit funds from any account at Members 1st Credit Union.

_____ I authorized the originating company whose name appears above to originate one or more ACH entries to debit funds from my account, but on _____, 20____ I revoked that authorization by notifying the originating company in the manner specified in the authorization.

_____ I authorized the originating company whose name appears above to originate one or more ACH entries to debit funds from an account at Members 1st Credit Union, however, the amount debited exceeds the amount I authorized to be debited. The amount I authorized is \$ _____.

_____ The debit was made to my account on a date earlier than the date on which I authorized the debit to occur. I authorized the debit to be made to my account on or no earlier than _____, 20____.

An unauthorized debit means an electronic fund transfer from a consumer's account initiated by a person who was not authorized by the consumer in writing to initiate the transfer. An electronic fund transfer in an amount greater than that authorized by the consumer is also an unauthorized debit. An unauthorized debit does not include an electronic fund transfer initiated with fraudulent intent by the consumer or any person acting in concert with the consumer.

I further attest that the debit transaction was not originated with fraudulent intent by me or any person acting in concert with me, and that the signature below is my own proper signature.

Date: _____, 20____ Signature _____

Credit Union Use Only: For use of ARC, POP, POS, PPD, RCK, TEL and WEB. This form CANNOT be completed for corporate entries CCD and CTX. Transaction must be returned so the ODFI receives it no later than the day following the 60th day after settlement of the original transaction.

Affidavit Received _____, 20____ ACH Returned: _____, 20____
R07 _____ R10 _____ Employee processing return _____

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Exhibit "B"

Members 1st Credit Union
Affidavit of Improper ACH Debit Activity
Windham County, State of Vermont

NOTE: This affidavit must be completed and returned promptly to Members 1st Credit Union before the Credit Union is able to initiate the return.

I, _____, account # _____ have examined my statement or other notification from Members 1st Credit Union indicating that an ACH debit was charged to my account on _____, 20__, in the amount of \$ _____. The originating company is listed as _____.

An improper debit means a Re-presented Check (RCK) entry, Point of Purchase (POP) entry, Accounts Receivable (ARC) entry or Back Office Conversion Entry (BOC) that meets the criteria described in sections below.

For Improper Entry, I attest that (check one):

- _____ The item to which the entry relates is ineligible to be initiated as an RCK entry (R51)
- _____ The required notice stating the terms of the re-presented check entry policy was not provided by the Originator in accordance with the requirements of the NACHA ACH Operating Rules (R51)
- _____ All signatures on the item to which the RCK entry relates are not authentic or authorized, or the item has been altered
- _____ The amount of the RCK entry was not accurately obtained from the item (R51)
- _____ Both the RCK entry and the item to which the RCK entry relates have been presented for payment (R53*)
- _____ I opted out of check conversion activity
- _____ Notice was not provided by the Originator in accordance with the requirements of the NACHA ACH Operating Rules (R10)
- _____ The source document and the ARC entry to which it relates have been presented for payment (R37*)
- _____ The amount of the ARC entry was not accurately obtained from the source document (R10)
- _____ Improper source document (R10)
- _____ The debit entry for which the Receiver is seeking re-credit was not authorized by the Receiver (R10)
- _____ The source document used for the debit entry is improper (R10)
- _____ Both the source document and the POP entry to which it relates have been presented for payment (R37)

I further state that the debit transaction was not originated with fraudulent intent by me or by any person acting in concert with me, and that the signature below is my own proper signature. I certify under penalty of perjury that the foregoing is true and correct.

Date: _____, 20_____ Signature _____

Credit Union Use Only: For use of ARC, POP, POS, PPD, RCK, TEL and WEB. This form CANNOT be completed for corporate entries CCD and CTX. Transaction must be returned so the ODFI receives it no later than the day following the 60th day after settlement of the original transaction.

Affidavit Received _____, 20_____ ACH Returned: _____, 20_____

Return Code _____ Employee processing return _____

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Exhibit "C"

MEMBERS 1ST CREDIT UNION
STOP PAYMENT REQUEST FORM

Date: _____ Time: _____ Stop payment Fee: _____

Member Name: _____ Account Number: _____ Suffix: _____

Mailing Address: _____ Phone No. _____

Check / Pre-authorized Draft _____ Oral Request (Automatically Expires after 14 days)
_____ Written Request (Automatically Expires after 6 months unless renewed)
_____ Renewal Request (Automatically expires after 6 months unless renewed)

Reason for Stop Payment: _____ Check No. _____

Amount: _____ Payable to: _____ Dated: _____

ACH / EFT _____ This is a reoccurring item
_____ I wish to stop all debits from this company – Company ID _____

Reason for Stop Payment: _____ Amount: _____

Payable to: _____ Expected Clearing Date: _____

I hereby request to release Stop Payment on the above item

I hereby request Members 1st Credit Union, hereafter referred to as Credit Union, to stop payment on check, pre-authorized draft, ACH or EFT item(s) as listed above. I certify the item description, scheduled transfer date, exact amount, item number and payee are correct. It is understood that the exact information on the item(s) is necessary for the Credit Union to identify the item(s). If the information disclosed is incorrect, the Credit Union will not be responsible for failing to stop payment on said item(s).

If this request involves a postdated item, I hereby request the Credit Union to stop payment on the check if presented for payment prior to the date written on the item. The stop payment notice on a postdated item is subject to all other items and conditions for stop payment orders. I also understand that my stop payment request will be subject to the following limitations (a) an oral stop payment is effective for 14 days from the date of this request; (b) a written request for a check is effective for six months from the date of this request, unless I withdraw or renew this request; (c) a written request for ACH/EFT remains in effect indefinitely, unless I withdraw this request.

I agree that the Credit Union will not be responsible for stopping payment unless my stop payment request is received by the Credit Union (1) within a reasonable time for the Credit Union to act on my order prior to final payment or similar action; or (2) at least three business days before the scheduled date of the pre-authorized draft or ACH/EFT payment. I understand that this stop payment request is conditional and subject to the Credit Union's verification that the item has not been paid or that some other action to pay the item has not been taken. I also agree to notify the Credit Union promptly upon the issuance of any duplicate item which replaces the item subject to this request or upon return of the original item. I agree to pay the Credit Union a stop payment fee for each request as set forth above.

I agree to indemnify and hold the Credit Union harmless from all costs, including attorney fees to the extent permitted by law, damage or claims related to the Credit Union's action in refusing payment on item, including if by reason of such payment other items drawn by the undersigned are returned because of insufficient funds, claims or any joint owner, payee, or endorsee, or in favoring to stop payment of an item as a result of incorrect information provided by me. If the above referenced item is currently within the processing system of the Credit Union; this request becomes void. Checks that have been guaranteed will not be considered for stop payment processing.

Member Signature _____ Date _____

When completed, mail to Members 1st Credit Union, PO Box 8245, N. Brattleboro, VT 05304, or fax to 802-257-5837.

FOR CREDIT UNION USE ONLY:

Verbal request received on: Date _____ Time _____ By _____

Written request received on: Date _____ Time _____ By _____

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Exhibit "D"

Members 1st Credit Union ACH Risk Assessment 12.31.20xx

Risk Parameter	Rating	Low (1)	Moderate (2)	High (3)	Notes
Member Base		Stable known member base	Member base increasing due to branching	A large and growing deposit base in a wide and diverse geographic area	
High Risk Accounts		Few high-risk members	A moderate number of high-risk members (Ex. Check cashing, wire remitters, foreign members)	A high volume of high-risk members (Ex. Check cashing, wire remitters, foreign members)	
Volume of ACH Transactions		Limited number of ACH transactions for members and no international ACH items	A higher number of ACH transactions for members. A few international ACH from personal accounts	Frequent ACH items deposited to personal accounts that are international ACH	
International ACH Transactions		Limited number of wire transfers for members and no foreign wires	A higher number of wire transfers. A few international wire transfers from personal accounts	Frequent wire transactions from personal accounts to/from financial secrecy havens	
Web/Tel ACH Transactions		Limited number of Web or Tel ACH Transactions debited from member accounts	Higher number of Web or Tel ACH transactions debited from member accounts	Excessive number of Web or Tel ACH transactions debited from member accounts	
Deposited ACH Transactions		Majority of deposits are PPD (Personal Deposits)	Mixture of CCD (Corporate Deposits) and PPD transactions	Majority of deposits are other than CCD or PPD	
ACH Transactions Returned		Limited number of ACH transactions returned due to NSF, Account closed, Invalid account number, Authorization revoked or Account frozen	A higher number of ACH transactions returned due to NSF, Account closed, Invalid account number, Authorization revoked or Account frozen	Excessive number of ACH transactions returned due to NSF, Account closed, Invalid account number, Authorization revoked or Account frozen	
ACH Controls		Dual control is in place to monitor ACH transactions	Limited dual control in place to monitor ACH transactions	No dual control is in place to monitor ACH transactions	
ACH Monitoring		Credit Union monitors ACH transactions, High risk accounts, Money laundering	Credit Union monitors on a limited basis ACH transaction, High risk accounts, Money laundering	Credit Union does not monitor ACH transactions, High risk accounts, Money laundering	
Management		Management fully understands the risk and exhibits a strong commitment to compliance	Management reasonably understands the key aspects of compliance and its commitment is generally clear and satisfactory communicated	Management does not understand or has chosen to ignore key aspects of compliance risk. The importance of compliance is not emphasized or communicated through-out the organization	
Policies / Procedures		Compliance considerations are incorporated into all products and areas of the organization	Compliance considerations are incorporated into all products and areas of organization. However, if not all compliance considerations are incorporated management does address immediately	Compliance considerations are not incorporated into numerous areas of the organization	
Annual Audit		Independent testing is in place and effective	Overall, independent testing is in place and effective. However, some weaknesses are noted	Independent testing is not in place and or is ineffective	
Board of Director approval of program		The board has approved an ACH program that includes policies, procedures, controls and information systems that are adequate	The board has approved an ACH program that addresses most policies, controls and information systems	The board may not have approved an ACH program. Policies, procedures controls and information systems are significantly deficient. For example, there are substantial failures to file currency transaction reports and/or suspicious activity reports	
Third-Party ACH Service Provider		Low risk for fraud and/or unsecured delivery channels for transmitting data files	Some risk for fraud and/or unsecured delivery channels for transmitting data files	High risk for fraud and/or unsecured delivery channels for transmitting data files	
Training		Training is appropriate, effective, covers personnel and necessary resources have been provided to ensure compliance	Training is conducted and management provides adequate resources given the risk profile of the organization, however, some areas are not covered within the training program	Training is not consistent and does not cover important regulatory and risk areas	
Employee Turnover		Low turnover of key personnel or frontline personnel	Low turnover of key personnel, but frontline staff may have changed	High amount of turnover especially in key personnel positions	

Total for Credit Union _____ (Low Risk 16 / Medium Risk 17 – 32 / High Risk 33 – 48)

Risk Assessment completed on _____ By _____