The Clearing House®

The Check Return Code Handbook

Your Guide to Image Return Codes

ECCHO®

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Thanks to X9 for Source Information

- Information in this presentation is provided with permission of the Accredited Standards Committee X9, Incorporated - Financial Industry Standard, Annapolis, Maryland

- Materials are drawn from the approved standard ANSI X9.100-188, "Return Reasons for Check Image Exchange and IRDs".

  - This standard provides the list of Return Reason codes that are used by the industry for image exchange and the creation of IRDs.

- For additional information on X9 standards, or to obtain a copy of these standards, please visit website: X9.org

Intro to Return Codes

What is a Return Code?

- When a check is returned unpaid, the Paying Bank must indicate the reason in accordance with X9.100-187 and X9 Technical Report 47/UCD

- Return Reason Code describes why an item is being returned
  - There may be multiple possible return reasons but one must be provided

How are Return Codes Created?

- X9 is the Accredited Standards Committee that develops technical standards for the financial services industry (www.x9.org)

- Return codes are not covered by check law

  - UCC allows paying banks to dishonor an item

  - Reg CC requires paying bank to provide return reasons

- Check return codes are located in standard industry practice contained in X9.100-188 for both image exchange and for IRDs

Return Item Destination and Method

Return items go to:	• Depositing customers • Financial institutions: bank of first deposit (depositary bank or "BOFD"), collecting bank or presenting bank
Returned via:	• Image cash letter • Substitute check/image replacement document • Paper check
It is up to each financial institution to determine what return code they will use to return a check	

Returns Timing

- All returns must meet UCC and Reg CC return deadlines (or must adjust/make warranty claim):

  - UCC requires a Paying Bank to make the pay or return decision of the item by midnight of the day following presentment (UCC 4-301)

  - Reg CC requires the Paying Bank to return the check "in an expeditious manner" so that it would normally be received by the Depositary Bank by 2:00 p.m. (local time of Depositary Bank) on the second business day after presentment (229.31(b))

Types of Return Codes

- There are two types of return codes:

  - Customer return codes

  - Administrative return codes

- All returns carry monetary value

- Difference is whether the return results from attempting to charge a customer's account

Customer vs. Administrative Returns

Customer return identifies a dishonored item from the Paying bank to the BOFD

- Result from items attempting to post to a customer's account (i.e., NSF, stop pay, closed account)

Administrative return identifies that the return is for reasons other than dishonored item

- Created by a bank for some administrative reason (i.e.. poor quality, ineligible items)

**Image Return Codes
At a Glance**

Customer Returns List (Alpha Order)

'A'   NSF – customer does not have sufficient funds to cover the item

'B'   UCF – uncollected funds hold

'C'   Stop payment – a stop payment has been placed on the item

'D'   Closed account – the item's account has been closed

'E'   UTLA – unable to locate account

'F'   Frozen/blocked account – account has restrictions placed by customer or bank

'G'   Stale dated – the date on the item is more than 6 months old

'H'   Post dated – the date on the item is in the future

'I'   Endorsement missing

'J'   Endorsement irregular

'K'   Signature(s) missing

'L'   Signature(s) irregular, suspected forgery

'M'   Non-cash item (non-negotiable)

'N'   Altered/fictitious item/Suspected counterfeit/Counterfeit

'O'   Unable to process

Customer Returns List (Alpha Order)

'P'   Items exceeds stated dollar amount limit

'Q'   Not authorized RCC – Unauthorized item such as a draft

'R'   Branch/account sold (Wrong Bank) – Divested account, Not Our Item

'S'   Refer to Maker

'T'   Item cannot be re-presented (exceeds number of allowable times the item can be presented)

'U'   Unusable image

'W'   Cannot determine amount – Amount cannot be verified

'X'   Refer to image – return reason is contained within the image of the item

'Y'   Duplicate presentment

'Z'   Forgery – an affidavit shall be available upon request

'3'   Warranty breach (includes Rule 8 & 9 claims)

'4'   RCC warranty breach (Rule 8)

'5'   Forged and counterfeit warranty breach (Rule 9)

'6'   Retired/ineligible/failed institution routing number

Admin Returns List (Alpha Order)

'I'	Image Missing
'Q'	Ineligible Item
'T'	Item cannot be re-presented (Exceeds number of allowed times the item can be presented)
'U'	Unusable image
'V'	Image fails security check
'Y'	Duplicate presentment
'1'	Does not conform with ANS X9.100-181 Specification for TIFF Image Format for Image Exchange
'2'	Does not conform to the Industry's Universal Companion Document (TR 47)
'3'	Warranty Breach (includes Rule 8 & Rule 9 claims)
'4'	RCC Warranty Breach (Rule 8)
'5'	Forged and Counterfeit Warranty Breach (Rule 9)
'6'	Retired/Ineligible/Failed institution Routing Number

Image Return Code Compendium

'A' – Not Sufficient Funds

- Generally known as NSF or insufficient funds
- Used when a paying bank determines that the balance in the account is not sufficient to pay the check
- One of the most common return codes
- **Customer return code**

'B' – UCF

- Uncollected Funds Hold

- Similar to NSF, used when a paying bank determines that the available funds are not sufficient to pay the check, even though there may be additional funds in the account that are not available

- **Customer return code**

'C' – Stop Payment

- When a person authorized on the account has requested that the bank not honor/pay a check they have written/issued

- Customer can place a stop payment on an item for a variety of reasons including lost/stolen check,

- Right to stop payment under UCC 4-403

- **Customer return code**

'D' – Closed Account

- When the item is not paid because:

  - Account that the item was drawn on is now closed

- **Customer return code**

'E' – Unable to Locate Account

- When the item is returned unpaid because:

  —Bank is unable to find an account with that number

- Can be caused by RCC in which RT was incorrectly provided/entered, old check stock or non-printed check incorrectly completed

- Could be fraudulent item

- **Customer return code**

'F' – Frozen/Blocked Account

- When the account has restrictions which have been placed on it by either the customer or the bank

  - Bank can be required by courts to freeze funds in order to pay creditor, IRS, divorce judgement, etc.

  - Customers might freeze account in cases where they have experienced fraud

- **Customer return code**

'G' – Stale Dated

- When date on the item is more than 6 months old

  - Under UCC 4-404, banks are under no obligation to pay stale-dated check, other than a certified check

  - Bank decision whether to accept stale dated items

- **Customer return code**

'H' – Post Dated

- When the date on the item is in the future

- **Customer return code**

'I' – Two Different Meanings

- 'I' has different uses depending upon customer vs. administrative return

- **Customer return** 'I' – Endorsement Missing - used when paying bank determines a required endorsement is missing

  - Typically: payee endorsement is missing

- **Administrative return** 'I' – Image Missing - used when any required image view record is not provided with the item

'J' – Endorsement Irregular

- Used when a paying bank determines something is wrong with any of the endorsements associated with the item
  - Invalid payee or missing payee name in a payee endorsement
  - Missing information such as a date in a BOFD electronic endorsement
- Potential fraud issue
- **Customer return code**

'K' – Missing Signature

- Used when the maker signature does not appear on the original document on the front of the item in the designated signature area, and it is not a remotely created check

- **Customer return code**

'L' – Irregular Signature, Suspected Forgery

- Used if the signature(s) does not conform to bank's signature cards or other official bank documentation or if the item is a suspected forgery and a customer affidavit is not available

- Not to be used for Rule 9 claims

- **Customer return code**

'M' – Non-cash Item

- Used for the return of:

  —Non-cash (as defined in Reg CC); or

  —Non-negotiable items (as defined in UCC)

- Examples of non-cash items:

  —Item that enters the collection stream in error like a batch ticket

  —Foreign item

- **Customer return code**

'N' – Altered/Fictitious/Counterfeit

- Use for the following purposes:
  - Altered
  - Fictitious item
  - Suspected counterfeit
  - Counterfeit
- Multi-purpose code because often paying bank does not know which one it is
- Do not use 'N' for Rule 9 claims
- **Customer return code**

'O' – Unable to Process

- Used when there is an issue with the physical item, such as mutilation where there is insufficient info to pay the check

- Usage of this code should be minimal

  - Only to be used when handling return as paper

- Code should not be used for system problems or unusable images

- **Customer return code**

'P' – Item outside stated dollar amount

- Used if the item amount exceeds a stated limit as defined on the item or within the paying bank's record for that account

- Code should not be used when the item has exceeded the maximum number of presentments

- **Customer return code**

'Q' – Two Different Meanings

- **Customer return** 'Q' – Not Authorized RCC (includes drafts)
  - Used when an unsigned draft (RCC) was not authorized by the drawer
  - Code only applies to unsigned drafts—items that do not contain drawer signature
- Can be used without a specific rule set
- This code is different than 'L' – irregular signature

'Q' – Two Different Meanings Cont.

- **Administrative return** 'Q' – Ineligible

- Used for items received that are not eligible for exchange

  - When a bank receives items on routing numbers that may be valid but not opened for image exchange, foreign items, etc.

- Should not be used for items:

  - That do not conform to the standard specifications,

  - Are unusable; or

  - Contain retired routing numbers

'R' – Not Our Item/Branch Sold

- Use code has multiple purposes:
  - Branch or account sold
  - Wrong bank
  - Divested account
  - Not our item
- The most common use is Not Our Item (NOI) – when a forward item is not drawn on the paying bank
- Should not be used for incorrect RT
- **Customer return code**

'S' – Refer to Maker

- Only used when the payee is being referred to the maker and no other code truly applies to the situation

- Privacy codes in some states make the use of codes related to forgery/fraud problematic therefore use of 'S' acceptable while not ideal

  - Use of 'S' appropriate when a maker/drawer with positive pay instructs bank to return the check

- Not to be used for duplicates

- **Customer return code**

'T' – Item cannot be Re-Presented

- Should be used when the number of presentments exceeds the number of presentments allowed under exchange rules (e.g., Fed – twice, ECCHO – three times)

- **Customer and Administrative returns – same meaning**

'U' – Unusable Image

- Used for an image that does not conform to industry standards or agreements and could not be used for business purposes due to gross defect, illegible, etc.

- Used for mis-matched MICR which occurs when the MICR data fields in the electronic record of the file are not representative of the MICR line on the front image of the check

- **Customer and Administrative returns – same meaning**

'V' – Image Fails Security Check

- Used to indicate problems with digital signatures associated with an image in the Image View Data Record (Type 52) or problems with interoperable security features.

- Should only be used by agreement

- **Administrative return code**

'W' – Cannot Determine or Verify Amount

- Used when the amount cannot be determined or verified and amount in numbers (convenience/courtesy amount) is stated differently more than once

- Not to be used when the amount in words (legal amount) differs from the amount in numbers—then item should be paid using legal amount

- **Customer return code**

'X' – Refer to Image

- Code was originally used when creator of image knows that return reason already exists on face of the paper item

  - It directed BOFD to look at the image to see which return code was stamped on the item

  - Generally, was used by intermediary processors when converting paper returns to images

- Not applicable in today's environment--should be looking at return reason in Type 32 record

- **Customer return code**

'Y' – Duplicate/Item Already Paid

- Used when a party in the collection process is asked to pay the same item more than once

  - Supporting documentation should be available

- Re-presented items are not duplicates since they were previously dishonored/not paid

- Do not use 'Refer to Maker' for duplicates – refer to maker is for fraud suspect

- **Customer returns** – predominately from mobile RDC

- **Administrative returns** – bank issues, multiple sends of the same ICL, etc.

'Z' – Forgery

- Used when an item is believed to have a forged or invalid signature(s) in states that require affidavit
  - If no affidavit available—use 'L'
- Do not use 'Z' for Rule 9 claims
- **Customer return code**

'1' – Doesn't Conform X9.100-181

- Used when the image does not conform with the TIFF image format standard X9.100-181

- Check out the X9.100-181 standard at www.x9.org

- **Administrative return code**

'2' – Does Not Conform to UCD/TR 47

- Used if the file or an item does not meet required edits as specified in UCD file header record

- Used when the file does not conform to the UCD because of system problems

- For free copy of UCD/Technical Report 47 X9 Store

- **Administrative return code**

'3' – Warranty Breach

- Can be used for various warranty breaches:
  - Rule 8 & 9 claims
- Must be under ECCHO rules agreement to use for Rule 8 & Rule 9 claims
  - Rule 8 & Rule 9 claims should not go through Fed
- **Customer and Administrative returns – same meaning**

'4' – RCC Warranty Breach

- Used only for Rule 8 claims - process for unauthorized RCCs

- Uses the return mechanism—not official return

- Must be under agreement that provides for this claim (e.g., ECCHO Rules)

- Cannot be used for returns through Fed

- Different from return code 'Q' which can be used without a specific rule set

- Code '3' can also be used for Rule 8 claim

- **Customer and Administrative returns – same meaning**

'5' – Forged/Counterfeit Warranty Breach

- Used for Rule 9 claims - warranty breaches in which Depositary bank warrants to the Paying bank that:
  - (i) the signature of the purported drawer is not forged or otherwise unauthorized, and/or
  - (ii) the related physical check is not counterfeit
- Uses the return mechanism—not official return
- Must be under ECCHO Rules agreement, exchange occurred under ECCHO Rules, and neither party opted out of using Rule 9
- Cannot be used for returns through the Fed
- Code '3' can also be used for Rule 9 claim
- **Customer and Administrative returns – same meaning**

'6' – Retired/Ineligible Routing Number

- Used when the Paying Bank routing number is incorrect or no longer used (e.g., retired RT)

- Used to identify a failed institution routing number

- **Customer and Administrative returns – same meaning**

Tips for Selecting Return Codes

Tips for Similar Codes: Signature Issues

- K – maker signature missing *(and not an RCC)*

- L – if signature does not conform to bank documentation; or suspected forgery *(affidavit not available)*

- Z – signature forged or invalid *(affidavit required)*

- N – multi-purpose when unsure if altered, fictitious or suspected counterfeit

- Do not use 'L' or 'N' for Rule 9 claims

  - Rule 9 claims = '3' or '5'

Tips for Fraud Warranty Claims

- '3' – Rule 8 or Rule 9 Warranty claims (ECCHO only)

- '4' – Rule 8 Warranty claims (ECCHO only)

- '5' – Rule 9 Warranty claims (ECCHO only)

- These codes must be used by agreement through certain rule sets (e.g., ECCHO Rules)

- These warranty claims *should not* go through the Fed

Tips for RCC Issues

- 'Q' – RCC was not authorized by the drawer

    – 'Q' is officially a return; therefore, it must conform to return timeframes and can be used regardless of rule set (Fed OC3 or ECCHO).

- '3' & '4' – RCC warranty breach (for ECCHO only)

- Do not use 'K' or 'L' for RCCs

    – RCCs are not supposed to have signatures

For Endorsement Issues

- Use '2' – If electronic endorsement is in non-compliance with UCD

- Use 'J' – If something is wrong with any endorsement or missing information in the electronic endorsement record

- Use 'I' – If missing endorsement—typically for payee endorsements

- Use '2' – For a technical compliance issue

- 'J' and 'I' might indicate a fraud issue; although they can just result from errors/omissions

Tips for Processing Issues

- Use 'I' – when image record is missing
  - Do not use for image record is there but is blank image
- 'U' – Unusable image doesn't conform to industry standards or MICR mismatch
  - Use for unusable electronic images with gross defects or illegible
  - Use for image record that is blank
  - Use for MICR mismatch when MICR in data record doesn't match MICR on image
- 'O' – Unable to process due to issue with physical item—only applies to paper check

Tips for Presentment vs. Value

- 'T' – Is for too many presentments

  - Fed allows: one presentment, one re-presentment

  - ECCHO allows: one presentment, two re-presentments

- 'P' – Is for exceeding maximum dollar value/item outside stated dollar limit

Tips for Wrong vs. Retired RT

- **'R' – Is wrong bank**

  – NOI (Not Our Item) when forward item is not drawn on paying bank; or in case where branch or account sold

- **'6' – Is retired/ineligible/failed institution RT**

  – Also, can be used when regulators declare a bank insolvent/failed

Acronyms

- ECCHO – A business unit of The Clearing House, LLC

- X9 – Financial Industry Payments-related standards

- UCD – Universal Companion Document (TR 47)

- TR 47 – Technical Report 47 (Universal Companion Document to X9.100-187)

- UCC – Uniform Commercial Code

- Reg CC – Regulation CC

- ECP – Electronic Check Presentment

- BOFD – Bank of First Deposit

- ICL – Image Cash Letter

- IRD – Image Replacement Document

- NSF – Not Sufficient Funds

- MICR – Magnetic Ink Character Recognition

Acronyms (continued)

- RDC – Remote Deposit Capture

- RCC – Remotely Created Check

- Rule 8 – Warranty for Remotely Created Checks

  - *See ECCHO Rules for Rule 8/RCC Warranty - Section XIX (N)*

  - *Definition of RCC - Reg CC 229.2 (fff)*

  - *Transfer & Presentment Warranties for RCCs Reg CC 229.34 (d)*

- Rule 9 – Warranty for Forged & Counterfeit Checks

  - See ECCHO Rules Section XIX(O)

  - See Link to Rule 9 At Glance

Resources

- www.x9.org for standards

  - Return Reason code standard –X9.100-188

    - Proper Use of Return Reason Codes information included in Annex A

  - X9 TR 47: Universal Companion Document Industry Adoption of X9.100-187

- www.checkimagecentral.org - Another great info on check

Thank You

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Visit our website at: www.theclearinghouse.org/eccho