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Thanks to X9 for Source Information

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• Materials are drawn from the approved standard ANSI X9.100-188-2018, “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 the website at: www.x9.org
Intro to Return Codes
What is a Return Code?

• When a check is returned unpaid, the payor 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 you make the determination to pay or return 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 / Monetary return codes
  – Administrative return codes

• All returns carry monetary value
  – The term “monetary” return codes is being phased out
    – You will not see it again in this presentation

• 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 max value
‘Q’ Not authorized RCC
‘R’ Branch/account sold (Wrong Bank)
‘S’ Refer to Maker
‘T’ Item cannot be re-presented (exceeds allowable number of presentments)
‘U’ unusable image
‘W’ Cannot determine amount
‘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
‘5’ Forged and counterfeit warranty breach (Rule 9)
‘6’ Retired/ineligible routing number
Admin Returns List (Alpha Order)

‘I’ Image Missing
‘Q’ Ineligible Item
‘T’ Item cannot be re-presented (exceeds number of allowable times for presentment)
‘U’ unusable image
‘V’ Image fails security check
‘Y’ Duplicate presentment
‘1’ Does not conform with ANSI X9.100-181
‘2’ Does not conform to the Industry’s Universal Companion Document
‘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 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 signature(s) are missing from the check

• Customer return code
‘L’ – Irregular Signature

• 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 limit

• 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

• **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)

• ‘T’ replaces previous use of ‘Stop Payment Suspect’ in DSTU X9.37 which was discontinued in 2008 and not identified in UCD as a valid return code

• 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 really 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 a copy of UCD/Technical Report 47, go to www.x9.org (it’s free)

• 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)

- Customer and Administrative returns – same meaning
Reserved for Future Use

• X9 has reserved some codes for future use:
  – ‘7’
  – ‘8’
  – ‘9’
  – ‘0’
Tips for Selecting Return Codes
Tips for Similar Codes: Signature Issues

• K – maker signature missing *(and not a 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 – when forward item is not drawn on paying bank; or in case where branch or account sold

• ‘6’ – Is retired/ineligible RT
  – Also can be used when regulators declare a bank insolvent/failed
Acronyms

- X9 – Payments-related standards group
- UCD – Universal Companion Document
- TR 47 – Technical Report # 47 (X9 designation for UCD)
- 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)
Resources

• **[www.x9.org](http://www.x9.org)** for standards discussed today
  - Current return code standard – X9.100-188-2018
    • Proper Use of Return Reason Codes information included in Annex A for this standard
  - X9 TR 47 – X9 designation for Universal Companion Document (UCD); document titled:
    • X9 TR 47 – Universal Companion Document Industry Adoption of X9.100-187

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