ECCHO held a Returns & Adjustments (R&A) meeting on September 15-16 in Dallas with around 90 participants in conjunction with the Ops meeting. The purpose of the in-person R&A meeting was to educate, discuss current R&A issues, encourage relationship-building across the industry, and to determine if any changes to the rules or commentary are needed. Attending NCPs earned: 9/15 R&A mtg-3 CEUs, 9/16 R&A mtg-3 CEUs, Roundtable-1 CE, Ops mtg-3 CEUs.

Adjustments Matrix Changes
In June, the Board approved matrix updates for Wrong Payee Credit and Return Adjustment but directed the Subcommittee to review the deadlines for these adjustment reasons. The Subcommittee agreed on leaving Wrong Payee Credit at 180 calendar days and changing the Return Adjustment to 60 calendar days. This will go back to the Board for final approval.

The differences between ECCHO and SVPCO adjustment timeframes were reviewed. All felt the ECCHO timeframes were appropriate, except for potentially the timeframe for non-conforming image which is currently 20 business days. The R&A Subcommittee will discuss the timeframes for without entry for duplicates and non-conforming image further.

Duplicates Discussion
The industry is trying to determine the best ways to resolve duplicates. In 2014, ECCHO developed a suggestion paper which recommended making the duplicate claim to BOFD A—which differs from the original mindset of making the claim to BOFD B. See www.eccho.org for Improving Duplicate Payment Adjustment Resolution paper. This paper will be updated to expand suggestion descriptions and address exceptions. See updated Living PPT play at www.eccho.org -- coming soon--for a humorous look at the issues outlined in the suggestion paper.

Managing duplicates via returns vs. adjustments was also discussed. Initially it was felt that adjusting duplicates was best, and still is, if the problem was caused within the banking system. However, if the duplicate was caused by the customer, then returning, with new return code “Y”, may be more appropriate and provide better chance of getting funds back. The decision to return or adjust always lies within the bank--each must perform their own risk analysis and determine their own policies.

Duplicates: Returns vs Adjustments Survey
ECCHO was requested to poll its members to determine how banks resolve duplicates. Twenty-five banks responded to a survey with eleven questions. Paying banks were asked whether they usually return or adjust a duplicate (if within return deadlines) and 12% replied ‘return’, 56% replied ‘adjust’, and 32% replied that ‘it depends’. Of those that returned, 50% handled as an administrative return and 50% handled as customer return. Seventy-six percent of respondents utilize duplicate detection systems and generally detect the item prior to posting. Sixty-seven percent perform duplicate detection on transit items--as an intermediary bank--and 80% of those banks adjust any duplicates found. When banks acting as BOFD receive a return of a duplicate: 46% post directly to the customer’s account, while 42% trap for further investigation.

MICR Mis-match - banks are using MICR mis-match adjustment when one digit is off--this is not a MICR mis-match. The definition of a MICR mis-match is when the MICR line received doesn’t belong to the check image. There is actually no adjustment for codeline error. There was much discussion around the appropriate resolution for these types of errors. Some believe the FI should research to find the right account. There was general support for using MICR mis-match adjustment for this situation since there is no more appropriate adjustment type.

More work will be done on this issue in upcoming Subcommittee meetings.

Rejection due to NSF - recently BOFDs have been rejecting returns/adjustments when depositing customer account is NSF or closed. Only Rule 9 claims can be disclaimed for NSF or closed accounts. As long as return is within deadline, it can’t be rejected due to NSF. NSF is not a valid rejection reason for adjustments under ECCHO Rules. More commentary may be added to the ECCHO Rules to clarify this situation.

Federal Reserve Check Adjustments Update
Becky Frasier, Director of Check Adjustments at FRB, provided an update on Fed check adjustments. The “Top Five”, which account for 94% of all adjustments cases, from January to June 2015 are: PAID (41%), ENC (32%), NCH/NCI (17%), ERR (2%) and WIC/URCC (2%) not including government processing. This is very similar to last year’s mix. The Fed has not seen a reduction in the volumes of PAID items–about 30,000 each month–potentially indicating that most duplicates are being adjusted--not returned. The Fed did some research on PAID items and found that In 75% of cases, both items are from the same depositor. Additionally, upon analyzing two days’ data: roughly 40ish percent went back on the same date, 40ish percent went to BOFD B, and around 10 percent went back to BOFD A.

Posting Rule changes were implemented in July 2015. Posting times for receipt of most commercial credits now at 8.30AM ET; and 1PM ET and 5.30PM ET–for items deposited after 8.30AM ET. It is possible for financial institutions to get more than one presentation a day. Posting times for large-value credit corrections (internal to Fed) and $1 million+ adjustments for other FIs now post at 8.30AM ET and hourly thereafter on the half hour. All debit corrections and adjustments with credits of less than $1 million post following close of Fedwire at 6.31PM ET. Presentment schedules were updated with customer delivery windows at: 8AM, 8.01AM to 12.30PM, and 1.01PM to 5PM ET. Paper posts at 5.30PM ET.

Retired RT Changes - All RTs, officially retired with Accuity (the service provider for ABA--who owns RTs), were added to the FRB check database. Now that the items have been loaded, financial institutions can provide updates. One member reported that the process of updating Accuity which in turn updates Fed is taking one to two weeks to see the change. Bad RTs are considered NOL, and retired RTs are considered invalid and sent back same day. Retired RTs are no longer to be adjusted back to depositors. Forward items deposited on retired RTs are now returned to BOFD with return reason code ‘6’. About 150-200 are returned each day--currently just on the forward side. Returns of retired RTs go to Fed Research to resolve.

There are approximately 25 adjustments staff that all work for the RPO in Atlanta, many working from home. Some adjustments are auto-resolved. Staff generally accomplish adjustments with one day turnaround. Changes for next year include: reduction of mostly paper investigation types (ITYP), removal of fields--mostly from eliminated ITYPs, and reduction of rarely used status message types (MTYP) since there is an automated status report on Fedline.