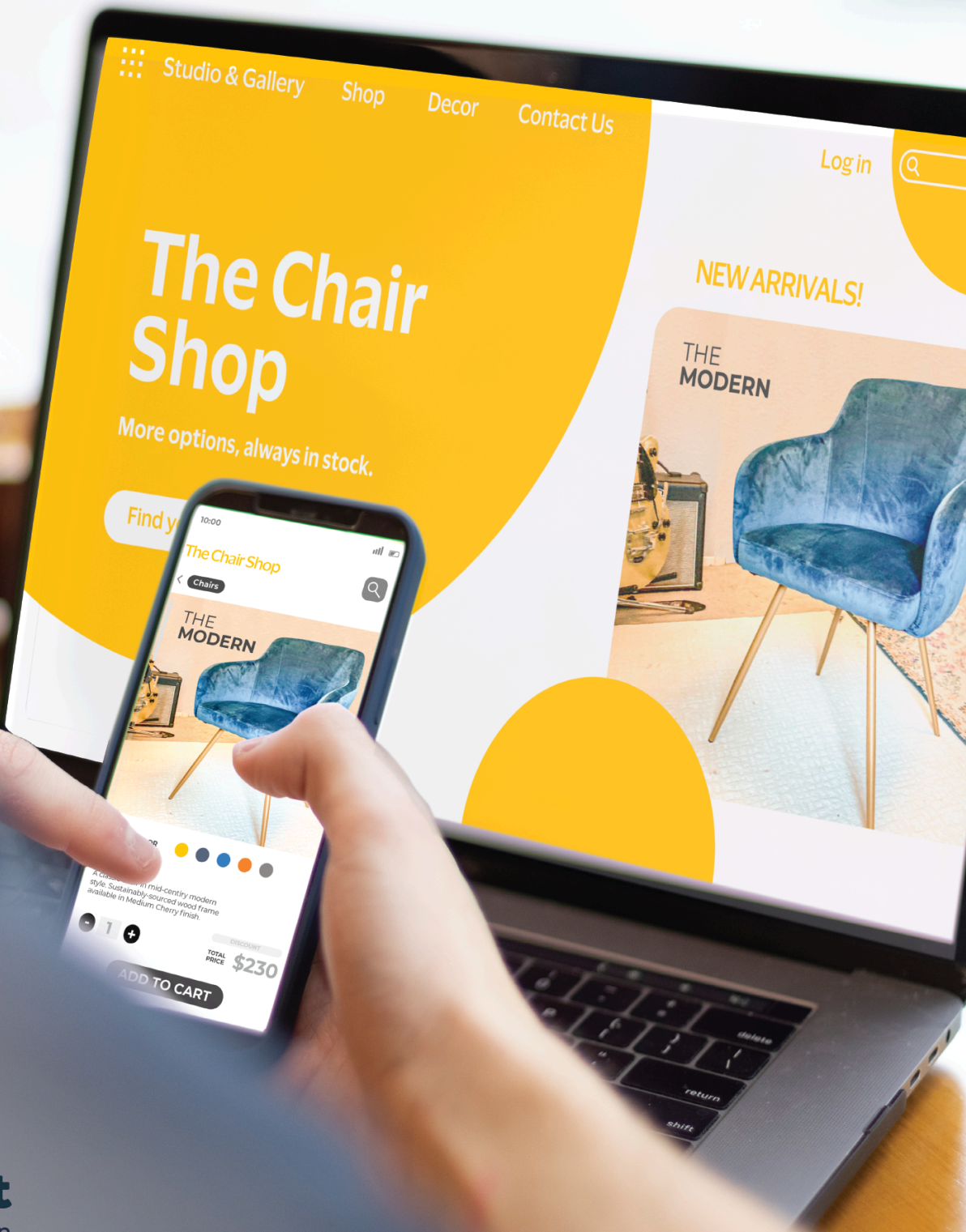


eCheck Operating Procedures and User Guide



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eCheck Operating Procedures and User Guide

This section describes this guide and where to find further information.

Audience and Purpose

This guide is intended for merchants who want to process echecks with Authorize.net. It explains the procedures merchants must follow when processing echecks and how the eCheck product works.

Conventions

This statement appears in this document:



Important: An *Important* statement contains information essential to successfully completing a task or learning a concept.

Customer Support

For support information about any service, visit the Authorize.net Support Center:

<https://support.authorize.net>

Recent Revisions to This Document

26.03.1

Revisions to reflect Authorize.net 2.0.

See [Introduction \(on page 6\)](#), [Overview of eCheck Transaction Process \(on page 9\)](#), [Rejected Entries \(on page 29\)](#), [Returns and Chargebacks \(on page 33\)](#), [Notifications of Change \(on page 36\)](#), [Funding \(on page 30\)](#), and [Frequently Asked Questions \(on page 40\)](#).

25.10.1

Initial release.

Introduction

Overview of eCheck service, eligibility requirements, application process, and fee structure.



Important: Failure to operate eCheck in accordance with the procedures, policies, regulations, and laws included in this document can result in the suspension or termination of your eCheck service.

What is eCheck?

eCheck is Authorize.net's payment service that enables merchants to accept electronic check payments for mail order or telephone order (MOTO) and e-commerce transactions. It also enables merchants to convert paper checks into electronic checks.

eCheck uses the ACH Network to process echeck transactions between customer bank accounts and merchant bank accounts. ACH Network transactions are strictly governed by processing rules established by Nacha and the Federal Reserve Board's Regulation E, the Electronic Funds Transfer Act.

Who Uses eCheck?

eCheck is available to Authorize.net merchants who fit into one or both categories:

- US citizens or residents who are at least 18 years of age and possess a Social Security number.
- United States or foreign-based corporations such as limited liability companies (LLCs) and limited liability partnerships (LLPs) or sole proprietors that use the eCheck service only for customers using US bank accounts and that hold and maintain a bank account in the United States with a US based financial institution.

Applying for eCheck

To apply for eCheck:

1. Select **Marketplace**.
2. In the eCheck section, click or tap **Apply for eCheck**.
3. Click or tap **Start application**.
4. Complete the fields for personal information and click or tap **Next**.

5. If your business has more than one owner, click or tap **Add an owner**, add the owner information, and click or tap **Next**.
6. Complete the fields for business information and click or tap **Next**.
7. Enter a business description.
8. Click or tap **Generate industry matches**, or manually search for your industry.
9. Click or tap **Next**.
10. Complete the fields for payments, delivery, and sales. Click or tap **Next**.
11. Enter the information for the account where you want your funds to be deposited, and click or tap **Next**.
12. Review the eCheck agreement and fees.
13. Check **I agree to the eCheck Agreement and Fees listed above**.
14. Click or tap **Submit application**.

You can also request an eCheck application from your reseller or the sales organization that provides your Authorize.net account.

Authorize.net begins the underwriting process after receiving your eCheck application along with any required financial documentation. Check the status of your eCheck application by clicking **Marketplace** in the Merchant Interface. After the Authorize.net Risk Department completes the underwriting and approval process, log in to the Merchant Interface and accept the eCheck terms and conditions, after which eCheck processing is enabled.

eCheck Fees and Settings

Pricing and processing settings for the eCheck service are determined by your reseller or the sales organization that provides your Authorize.net Payment Gateway account and by the underwriting of your eCheck account.

These eCheck service fees and processing settings apply:

eCheck Fee Amounts

eCheck Setup Fee

A one-time fee for eCheck account setup.

eCheck Monthly Minimum Fee

The minimum monthly eCheck service fee charged by Authorize.net. You are charged this fee only when your transaction fees and discount rate fees do not exceed the monthly minimum fee.

eCheck Discount Rate

The percentage charged for each transaction. The rate varies from month to month depending on the pricing structure established for your account. Contact your reseller if you have questions about your discount rate.

eCheck Per-Transaction Fee

The fee charged by Authorize.net for each echeck transaction. The fee varies from month to month depending on the pricing structure established for your account. Contact your reseller if you have questions about your per-transaction fee.

Chargeback Fee

The fee charged by Authorize.net for each echeck transaction disputed by the account holder.

eCheck Returned Item Fee

The fee charged by Authorize.net for each returned echeck.

eCheck Processing Settings

eCheck Per-Transaction Limit

The maximum amount allowed for a single eCheck transaction.

eCheck Monthly Processing Limit

The total amount of charges and refunds allowed each month for echeck transactions.

eCheck Funds Holding Period

The number of days that Authorize.net holds your echeck transactions before depositing funds to your merchant bank account. The funds holding period ensures that the echeck is not returned for insufficient funds or other bank account issues.

To view your fees for eCheck:

1. Select **Account > My Business**.
2. Click or tap **Products and Fees**.
3. Expand the **eCheck Transaction Processing** section.

Overview of eCheck Transaction Process

Understanding the eCheck transaction process, required information, ACH network, and general limitations.

Required Information

To initiate an echeck transaction, collect this information from the customer:

- The nine-digit ABA routing number for the customer's bank.
- The bank account number.
- The bank account type (checking, business checking, or savings).
- The name on the bank account.
- The transaction amount.
- The check number if the customer's paper check is converted to an echeck.

The customer finds their bank's ABA routing number and their bank account number at the bottom of one of their paper checks.

Customers can give banking information over the telephone for a call center transaction or through a payment form on an e-commerce website. For transactions involving a paper check, a magnetic ink character recognition (MICR) device must be used to collect the above information. For a list of MICR device providers, refer to [Appendix F \(on page 73\)](#).



Important: Sensitive bank information should never be transmitted by email.

Website Transactions

When accepting eCheck transactions from a website, provide your customers with an echeck payment option on your website's payment form. If the customer selects the echeck option, the payment form should prompt the customer for the necessary bank account information, including their bank's ABA routing number, their bank account number, bank account type (checking, business checking, or savings), the name on the bank account, and transaction amount.



Important: Authorize.net complies with Nacha's account validation mandate by using a commercially reasonable account validation to verify that the customer accounts being used to process WEB debit transactions are legitimate, open accounts to which ACH entries can be posted at the RDFI. To prevent transaction errors, web merchants should program their payment form to allow the customer to enter only nine digits for the ABA routing number.



Information about collecting bank account information on your website's payment form can be found in the implementation guides. See the guide for your connection method at <http://developer.authorize.net/api/>. If you are unfamiliar with which implementation method you are using, check with the web developer or shopping cart that set up your e-commerce site.

Virtual Terminal and ARB

When entering a transaction manually through the Virtual Terminal, or when creating an Automated Recurring Billing (ARB) subscription manually, select the Charge a Bank Account option as the payment method.



Important: Certain echeck transaction types cannot be submitted through the Virtual Terminal or used to create recurring billing subscriptions.

You can also submit a batch of echeck transactions using the Upload Transactions feature of the Merchant Interface. For more information about uploading transactions, see the Upload Transactions User Guide at <http://www.authorize.net/files/uploadguide.pdf>.

Automated Clearing House (ACH)

When Authorize.net receives an eCheck transaction, it initiates an ACH Network entry, or transaction. The ACH Network is a network for the processing and clearing of payments between banks and other financial institutions.

Echeck transaction processing follows the flow described below:

1. The originator is the person or organization that initiates an echeck transaction. For eCheck, the originator is usually the merchant.
2. Authorize.net receives echeck transaction requests from many originators and submits them as ACH transactions to the Originating Depository Financial Institution (ODFI).
3. The ODFI receives ACH Network transactions and submits them to the ACH Network for clearing.
4. The ACH Network provides clearing, delivery, and settlement services for ODFIs and RDFIs.
5. The Receiving Depository Financial Institution (RDFI) is the bank that receives an ACH Network transaction on behalf of the receiver from the ACH Network.
6. The receiver is the customer's bank.

How an eCheck Transaction Is Processed

There are two types of echeck transactions, charge and credit:

- A charge is initiated to take money from the customer's bank account and transfer it to your merchant bank account. Most echeck transactions are ACH charges.
- A credit (refund) is initiated to transfer money back to the customer's bank account.

The echeck transaction flow includes these steps:

1. The merchant receives authorization from a customer to charge their bank account based on the authorization requirements for the specific echeck transaction type.
2. The customer provides all of the required bank account information for the echeck transaction type.
3. When the transaction is submitted, purchase and payment information is securely transmitted to an Authorize.net Payment Gateway server.
4. The transaction is accepted or rejected based on initial data validation and security criteria defined by the Authorize.net Payment Gateway. Reasons for rejection at this stage of processing could include an invalid routing number, insufficient information to process the credit, or the credit exceeds the amount of the original charge transaction.
5. If the transaction is accepted, Authorize.net formats the transaction information and sends it as an ACH Network transaction to its bank (the ODFI) with the rest of the transactions received that day.
6. The ODFI receives transaction information and passes it to the ACH Network for settlement.
7. The ACH Network uses the bank account information provided with the transaction to determine which bank holds the customer's account (or the RDFI).
8. The ACH Network instructs the RDFI to charge or credit the customer's account (the customer is the receiver).
9. The RDFI passes funds from the customer's account to the ACH Network. The RDFI also notifies the ACH Network of any administrative returns (if funds could not be collected from the customer's bank account) or unauthorized returns, or "chargebacks" (in the event that the customer disputes the purchase). An echeck transaction might be returned because of not sufficient funds (NSF), invalid account number, account closed, or account frozen. An echeck transaction might be returned as unauthorized because the customer advises not authorized, stop payment, or authorization revoked.
10. In the event of a returned transaction, Authorize.net posts the return to the merchant.

11. The ACH Network relays the funds to the ODFI (the Authorize.net bank).
12. The ODFI passes any returns to Authorize.net.
13. After the funds holding period, Authorize.net initiates a separate ACH Network transaction to deposit eCheck proceeds to the merchant's bank account.

General Limitations, Liabilities, and Prohibited Activities

These general limitations apply to eCheck:

- The eCheck service processes transactions only in US dollars.
- Only US-based personal checking, savings, and business checking accounts are used for processing echeck transactions. Some banks disallow certain types of accounts from being used. Contact your bank to verify the types of checking accounts from which you process echeck transactions.
- The ACH Network prevents echeck transactions from being authorized or processed in real time.
- Because funds are not verified in real time, echeck transactions are not guaranteed. For example, unauthorized transactions result in returns or chargebacks or both.
- Merchants must present echeck transactions within one business day after the date of the transaction between the customer and the merchant.
- A merchant cannot present any echeck transactions for third parties or transactions that did not originate as a transaction between a customer and the merchant. For example, you do not process an echeck transaction to transfer funds to your merchant bank account from a friend's bank account, or transfer funds to or from your merchant bank account for any reason other than the purchase of or refund for goods or services provided by your business.
- Authorize.net sets your monthly processing dollar volume and per-transaction dollar amount limits based on the underwriting of your eCheck account.
- Echeck transaction proceeds are deposited to the merchant's bank account after the funds holding period established for their account by Authorize.net. The length of the funds holding period varies by merchant.
- Do not use the eCheck service to attempt to collect on paper checks that have been returned NSF.
- Do not use the eCheck service as a personal bill paying service.

Authorize.net reserves the right to suspend or terminate the eCheck service in the event of a merchant violation. In addition, eCheck merchants are subject to the Authorize.net Terms of Use, which further govern the use of all Authorize.net services. You can review the Authorize.net Terms of Use at <http://www.authorize.net/company/terms/>.

Payment Authorization and Authentication for eCheck Transactions

Requirements for obtaining proper payment authorization and authenticating customer identity for eCheck transactions.

Authorization Requirements

To process echeck transactions, merchants are required to: (1) obtain the proper payment authorization from the customer prior to submitting a charge transaction against their bank account, and (2) verify that the customer is who they say they are.

Payment authorization must be obtained in a variety of ways including paper copy or electronically. See "Types of eCheck Transactions" for information about specific authorization requirements for each transaction type.

In conjunction with the payment authorization, merchants must use a system that can authenticate the identity of a customer (the owner or signer on the bank account used for online payment).

Required Authorization Elements

A proper payment authorization must include all these elements:

- Clear and conspicuous statement of the terms of the transaction, including amount.
- Written language displayed to the customer that is readily identifiable as an authorization by the customer for the transaction (for example, "I authorize Merchant to charge my bank account") and that can be reproduced.
- Evidence of the customer's identity.
- The date the authorization was granted and the effective date of the transaction (the transaction might not be processed before the effective date).
- The bank account number to be charged.
- The nine-digit ABA routing number of the customer's bank.

To view samples of echeck transaction payment authorizations, refer to [Appendix A \(on page 57\)](#).

Authentication

For authentication purposes, merchants can establish accounts for repeat customers and issue a username and password or personal identification number (PIN) for online transactions at their site. These types of identity credentials should not be issued until the customer has sufficiently been identified through a credit check or review of identification, for example.

The identity authentication and payment authorization must occur simultaneously. It is not acceptable to identify a customer when they log in to a website and then later consider that login an authentication for authorizing an ACH Network transaction.

Payment Authorization for Recurring Transactions

If a merchant wishes to use eCheck to accept recurring transactions for goods or services that are delivered or performed on a regular basis, the proper payment authorization must also include these items:

- The frequency of the charge.
- The period for which the customer's payment authorization is granted.
- Written language indicating that the customer can revoke the authorization by notifying the merchant as specified in the authorization.

To view samples of echeck transaction payment authorizations, see Appendix A. In addition, the merchant must follow these requirements:

- Refrain from completing an initial or subsequent recurring transaction after receiving a cancellation notice from a customer.
- Require customers who choose to renew a recurring transaction to complete and deliver a request and authorization for it.

Record Retention Requirements

All authorizations must be retained by the merchant for two years after the completion of a transaction, the completion of a final recurring transaction, or after the revocation of payment authorization. In the case of paper authorizations, the original authorization must be retained. For authentications made over the telephone or by the Internet, the merchant must retain a copy of the authorization and a record of the authentication. For transactions that involve a paper check, a copy of the check must be kept for a minimum of two years because the signed check is the customer's authorization. Additional information about record retention requirements specific to the different echeck transaction type is included in the section of this document titled "Types of eCheck Transactions."

Nacha grants customers 60 days to identify an unauthorized charge. If a customer identifies an unauthorized charge after the 60-day period, the customer's bank can request a copy of the original authorization for the transaction from the merchant through the ODFI. If the appropriate authorization is not provided to the customer's bank within 10 banking days, the ODFI is permitted to allow the customer's bank to return the transaction.



Important: Although Nacha and Authorize.net require record retention for customer authorization records for a period of two years, the statute of limitations for state laws governing transaction disputes can dictate a period anywhere between 2 to 7 years. Authorize.net recommends that you become familiar with these laws.

Merchants must be capable of providing a copy of the authorization to the customer upon request. Authorize.net can also request the original or a copy of a customer's payment authorization at any time. Merchants will have 3 business days to comply with such a request. If no response is received by the date requested, to avoid a Nacha rules violation, Authorize.net will give permission for the return. If two future requests also go unanswered, according to Nacha rules, Authorize.net assumes that you are giving blanket permission to allow all returns, and Authorize.net then accepts them on your behalf.

See these sections for information about any specific record retention requirements for the various echeck transaction types.

Types of eCheck Transactions

Overview of the six types of ACH Network transactions supported by eCheck and their processing conditions.

Echeck transactions are originated or received by the merchant in several ways. Each transaction type is governed by certain processing conditions, specific payment authorization requirements, and additional requirements as established by Nacha.

Your ability to process any or all echeck transaction types supported by Authorize.net depends on the underwriting and risk profile of your eCheck account. The type of echeck transactions you need to process also depends on your business model. For example, if you are a mail order or telephone order (MOTO) merchant, you process only TEL transactions, but if you submit transactions to the Authorize.net Payment Gateway exclusively through your e-commerce website, you need the ability to process all transaction types except for TEL.

eCheck supports these six types of ACH Network transactions:

Accounts Receivable Conversion (ARC)

ARC is a single-entry debit against a customer's checking account. ARC allows merchants to collect payments received in the mail or left in a drop box and convert them to an electronic payment later. Merchants do not return the check to the customer or present it to the bank for payment.

Back Office Conversion (BOC)

BOC is a one-time charge transaction to a customer's checking account. BOC allows merchants to collect a check written at a point of sale (checkout counter, manned bill payment location, service call location) and convert it to an ACH Network debit during back office processing. Merchants do not return the check to the customer or present it to the bank for payment.

Cash Concentration or Disbursement (CCD)

CCD is a charge or credit transaction against a customer's business checking account. One-time or recurring CCD transactions are typically fund transfers to or from corporate entities.

Prearranged Payment and Deposit Entry (PPD)

PPD is a charge or credit transaction initiated by a merchant against a customer's personal checking or savings account. All credit transactions to personal banking accounts must be submitted as PPD, regardless of the original transaction type.

Telephone-Initiated Entry (TEL)

TEL is a one-time or recurring charge transaction against a customer's personal checking or savings account.

Internet-Initiated/Mobile Entries (WEB)

WEB is a charge transaction against a customer's personal checking or savings account. One-time or recurring WEB transactions can be originated by the Internet or a mobile device on a wireless network.

Accounts Receivable Conversion (ARC)

ARC allows merchants to convert paper checks received by mail or drop box into electronic payments.

Overview

ARC is a single-entry debit against a customer's checking account. ARC allows merchants to collect payments received in the mail or left in a drop box and convert them to an electronic payment later. Merchants do not return the check to the customer or present it to the bank for payment.

ARC Restrictions

ARC transactions are submitted only when the customer's original check has been sent through the US mail or left in a drop box. Merchants must use a check-reading device to capture the MICR line (routing number, account number, and check serial number) but can key in the transaction amount manually. For a list of check-reading device providers, refer to [Appendix F \(on page 73\)](#). ARC transactions are only submitted to the payment gateway through a batch upload transaction or through an API.



Important: Server Integration Method (SIM) merchants must use the batch upload feature of the Merchant Interface while Advanced Integration Method (AIM) merchants can use an API to submit the required transaction information.

Check Requirements

When you submit an ARC entry, the check must:

- Contain a pre-printed serial number.
- Not contain an Auxiliary On-Us Field in the MICR line (positioned to the left of the routing number or the external processing code).
- Be in the amount of 25,000 USD or less.
- Be completed and signed by the customer.

Checks that cannot be used for ARC entries include:

- Checks that contain an Auxiliary On-Us Field in the MICR line (refer to [Appendix E \(on page 71\)](#) for an example of a check that contains an Auxiliary On-Us Field).
- Checks in an amount greater than 25,000 USD.
- Third-party checks.

- Demand drafts and third-party drafts that do not contain the signature of the customer.
- Checks provided by a credit card issuer for purposes of accessing a credit account or checks drawn on home equity lines of credit.
- Checks drawn on an investment company as defined in the Investment Company Act of 1940.
- Obligations of a financial institution (such as travelers checks, cashier's checks, official checks, and money orders).
- Checks drawn on the US Treasury, a Federal Reserve Bank, or a Federal Home Loan Bank.
- Checks drawn on a state or local government that are not payable through or at a participating Depository Financial Institution.
- Checks payable in a currency other than USD.

Notice Requirements

Before accepting checks that will be used for ARC entries, merchants must provide their customers with a clear and readily understandable notice that includes these items, or substantially similar language:

"When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction."

The notice must be provided in a clear and conspicuous manner, meaning it must be easily accessible to customers.

This language, or substantially similar language, must also be included to ensure that customers understand that their checks are being converted to an electronic payment that clears their account faster than standard electronic check processing.

"When we use information from your check to make an electronic fund transfer, funds can be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution."

Storage Requirements

When the payment information is captured from the check, merchants must retain an image or copy of the face of the check for at least two years from the settlement date (the date the ARC entry posts to the customer's account) and destroy the original check. The face of the copy must state that it is a copy. Upon written request from the RDFI, merchants must provide a copy of the check, with "Copy" written on its face, at no charge and within 10 business days of receiving the request. The physical check cannot be presented again for payment.

ARC Authorization Requirements

If a merchant receives a customer's signed check after the merchant posting the appropriate notices in a conspicuous location, they have the customer's authorization to process an ARC entry.

Back Office Conversion (BOC)

BOC allows merchants to convert paper checks received at point of sale into electronic payments during back office processing.

Overview

BOC is a one-time charge transaction to a customer's checking account. BOC allows merchants to collect a check written at a point of sale (checkout counter, manned bill payment location, service call location) and convert it to an ACH Network debit during back office processing. Merchants do not return the check to the customer or present it to the bank for payment.

BOC Restrictions

BOC transactions are submitted only if the original check was provided at the point of purchase or at a manned bill payment location. The merchant must use a check-reading device to capture the MICR line (routing number, account number, and check serial number) but can key in the transaction amount manually. For a list of check-reading device providers, refer to [Appendix F \(on page 73\)](#). BOC transactions are submitted to the payment gateway only through a batch upload transaction or through an API.



Important: Server Integration Method merchants (SIM) must use the batch upload feature of the Merchant Interface while Advanced Integration Method (AIM) merchants can use an API to submit the required transaction information.

Check Requirements

For BOC entry, the check must:

- Contain a pre-printed serial number.
- Not contain an Auxiliary On-Us Field in the MICR line (positioned to the left of the routing number).
- Be in an amount of 25,000 USD or less.
- Be completed and signed by the customer.

Checks that cannot be used for BOC entries include:

- Checks that have not been encoded in magnetic ink.
- Checks that contain an Auxiliary On-Us Field in the MICR line (refer to [Appendix E \(on page 71\)](#) for an example of a check that contains an Auxiliary On-Us Field).
- Checks in an amount greater than 25,000 USD.
- Third-party checks.
- Demand drafts and third-party drafts that do not contain the signature of the customer.
- Checks provided by a credit card issuer for purposes of accessing a credit account or checks drawn on home equity lines of credit.
- Checks drawn on an investment company as defined in the Investment Company Act of 1940.
- Obligations of a financial institution (such as travelers checks, cashier's checks, official checks, and money orders).
- Checks drawn on the Treasury of the United States, a Federal Reserve Bank, or a Federal Home Loan Bank.
- Checks drawn on a state or local government that are not payable through or at a participating DFI.
- Checks payable in a currency other than USD.

Notice Requirements

Before accepting a check that will be used for a BOC entry, merchants must provide the customer with a clear and readily understandable notice that includes this text or substantially similar language:

"When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. For inquiries, please call <customer service number>."

The notice must be posted in a prominent and conspicuous location at the point of purchase or at a manned bill payment location. A copy of the notice, or similar language, must also be provided to the customer on their receipt or other takeaway item at the time of the transaction.

This text or substantially similar language must also be included to ensure that customers understand that their checks are being converted to an electronic payment that clears their account faster than standard electronic check processing.

"When we use information from your check to make an electronic fund transfer, funds can be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution."

The above language does not have to be included on the receipt or takeaway item given to the customer. Both notices must include a working customer service telephone number that is answered during normal business hours for customer inquiries.

Storage Requirements

When the payment information is captured from the check, merchants must retain an image or copy of the face of the check for at least two years from the settlement date (the date that the BOC entry posts to the customer's account), and they must destroy the original check.

The face of the copy must state that it is a copy. Upon written request from the RDFI, merchants must provide a copy of the check with "Copy" written on its face at no charge and within 10 business days of receiving the request. The physical check cannot be presented again for payment.

BOC Authorization Requirements

If a merchant receives a customer's signed check after the merchant has posted the appropriate notices in a conspicuous location at the point of sale and on the customer's receipt or other takeaway, they have the customer's authorization to process a BOC entry.

Cash Concentration or Disbursement (CCD)

CCD transactions are charge or credit transactions against business checking accounts for corporate fund transfers.

Overview

CCD is a charge or credit transaction against a customer's business checking account. One-time or recurring CCD transactions are typically fund transfers to or from corporate entities.

CCD Restrictions

CCD transactions are only submitted against business or corporate checking accounts.

CCD Authorization Requirements

An authorization agreement from the corporate customer is required for CCD transactions. To view a sample of written language for an echeck transaction payment authorization, refer to [Appendix A \(on page 57\)](#).

Prearranged Payment and Deposit Entry (PPD)

PPD transactions are charge or credit transactions against personal checking or savings accounts with prearranged terms.

Overview

PPD is a charge or credit transaction initiated by a merchant against a customer's personal checking or savings account. All credit transactions to personal banking accounts must be submitted as PPD, regardless of the original transaction type.

PPD Restrictions

PPD transactions are only submitted against personal checking and savings accounts. PPD transactions are originated only when payment and deposit terms between the merchant and the customer are pre-arranged and in writing, which means that the terms and transaction schedule are arranged between the customer and the merchant in advance of the actual date and time on which the transaction is submitted. In addition, a PPD transaction cannot be used for telephone-initiated or Internet-initiated transactions, or for converting a paper check into an electronic payment.

PPD Authorization Requirements

A written paper authorization from the customer is required for one-time transactions, and a written paper authorization agreement indicating that the customer is authorizing a recurring charge to their bank account is required for recurring transactions. For PPD transactions, the customer's payment authorization cannot be received by telephone or the Internet.

To view a sample of written language for an echeck transaction payment authorization, refer to [Appendix A \(on page 57\)](#).

For recurring PPD transactions, the customer can revoke the standing payment authorization by notifying the merchant as specified in the payment authorization (for example, calling a given telephone number or writing to a given address). Merchants are required to notify customers in writing at least 10 calendar days in advance of when the date or amount of an eCheck transaction is changed.

Telephone-Initiated Entry (TEL)

TEL transactions are telephone-initiated charges against personal checking or savings accounts with existing business relationships.

Overview

TEL is a one-time or recurring charge transaction against a customer's personal checking or savings account.

TEL Restrictions

TEL transactions are only submitted against personal checking and savings accounts. TEL transactions are originated only when a business relationship between the merchant and the customer already exists. If no relationship exists, TEL transactions are originated only when the customer initiates the telephone call to the merchant. An existing business relationship is defined in one of these ways:

- One for which a written agreement is in place between the merchant and the customer.
- One in which the customer has purchased goods or services from the merchant within the past two years.

Affiliates or partners of the merchant are not considered to have an existing relationship with a customer by association. A TEL transaction cannot be used by a merchant when no relationship exists between the merchant and the customer, and the merchant has initiated the telephone call.

TEL Authorization Requirements

Payment authorization is obtained from the customer by telephone for each TEL transaction. Authorizations must exist in one of these forms:

- Tape recorded by the merchant.
- Provided to the customer in written form prior to initiating the echeck transaction.

For an oral authorization obtained over the telephone to be valid, the merchant must record these items:

- a clear statement that the customer is authorizing a charge to his or her bank account
- the terms of the authorization in a clear manner, including:
 - the customer's name
 - the date the authorization is given
 - the date on or after which the customer's banking account will be charged
 - the amount of the transaction to be charged
 - a telephone number that is available to the customer and that is answered during normal business hours for customer inquiries

To view a sample phone script for an echeck transaction payment authorization, refer to [Appendix A \(on page 57\)](#).

Either a copy or the original audio recording of the authorization or the written notice of authorization must be retained for two years from the date of the authorization.

Internet-Initiated/Mobile Entries (WEB)

WEB transactions are Internet or mobile-initiated charges against personal checking or savings accounts with online authorization.

Overview

WEB is a charge transaction against a customer's personal checking or savings account. One-time or recurring WEB transactions are originated by the Internet or a mobile device on a wireless network.

WEB Restrictions

WEB transactions are only submitted against personal checking and savings accounts. Merchants are responsible for preventing potentially fraudulent transactions by ensuring that WEB transactions are received from customers whose identities are authenticated, whether it is a PIN at the time of checkout, or some other means required by the merchant.

WEB Authorization Requirements

For a WEB entry, authorization is obtained from the customer by the Internet or a mobile device on a wireless network during the payment or checkout process. Implementation of payment authorization language is up to the merchant, as long as it complies with the authorization requirements stated below. Payment authorization language should appear on the same page that collects the customer's banking account information.

The customer's payment authorization must be displayable on a computer screen or other visual medium that permits the customer to read and print it. It must be readily identifiable as an authorization. It must clearly and conspicuously state its terms including the dollar amount, the effective date of the transfer, and whether the authorization is for a one-time purchase or for a recurring transaction.

An authorization statement combined with a clickable button should clearly state that by clicking the button the customer is providing authorization for obtaining payment authorizations associated with WEB transactions.

To view a sample of a Web language for an echeck transaction payment authorization, refer to [Appendix A \(on page 57\)](#).

For recurring WEB transactions, the merchant must also provide a notice stating that the customer can revoke the standing payment authorization by notifying the merchant as specified in the payment authorization (for example, calling a given telephone number or writing to a given address). Merchants are required to notify customers at least 10 days in advance of when the date or amount of a recurring echeck transaction is changed. (Notice need only be given once, in advance of the next recurring transaction.)

Settlement

Understanding the eCheck settlement process, settlement statements, and timing.

Because eCheck payments are made from a customer's bank account, the settlement process is different from credit card transaction processing.

For echeck transactions, settlement occurs when the payment gateway initiates an ACH Network transaction through the ACH Network to request funds for a purchase from the customer's bank account. Funding occurs when funds collected for echeck transactions are deposited to your merchant bank account.

Settlement for echeck transactions occurs each business day (excluding bank holidays). Echeck transactions submitted to Authorize.net before your daily transaction cut-off time are sent to the bank on the following business day. The settlement time for each batch of transactions marks the beginning of the Authorize.net funds hold period. Transfer of eCheck proceeds to your bank account occurs on the business day after the transactions are collected by the system. For more information about the timeframe for settlement, refer to [Appendix B \(on page 60\)](#).



Important: Because the availability of funds is not verified in real time, you should wait at least the same amount of time as your funds holding period before shipping or providing access to merchandise purchased using eCheck.

eCheck Settlement Statement

The eCheck settlement statement addresses all funds for echeck transactions processed and lists these information items for each entry:

Date

The date of the statement entry.

Type

The type of entry or action taking place. For example, settlement or Transfer.

Item

The item field further describes the type of entry or action taking place. For example, a settlement can be a charge transaction chargeback, meaning that a chargeback has been received.

Item Description

The type of action that is occurring and the funds being deposited or transferred. For example, if a batch settlement has occurred, the item description will include the number of transactions included in the batch and the date and time of the batch settlement.

Amount

Indicates the amount being deposited or transferred from your eCheck settlement sub-account.

Account Balance

The current dollar amount in your eCheck settlement sub-account. A negative balance indicates funds owed to Authorize.net. A positive balance indicates funds owed to you.

You can view the eCheck settlement statement in the Merchant Interface (only users with the appropriate permissions can access this setting).

1. Select **Reports > eCheck Reports**.
2. Choose "Settlement Statement" from **Available Reports**.



Important: Only users with the appropriate permissions can access this setting.

Linked entries on the statement allow you to view details for the event. Clicking on a charge or refund transaction displays the search results for the transaction. Clicking a returned item or chargeback displays a return transactions report for the related batch. Clicking on an eCheck Out event (which means funds are being transferred to your merchant bank account) displays a settlement funding detail, which shows how the funding amount was calculated.

Rejected Entries

Understanding why eCheck transactions can be rejected during initial data validation and how to view rejected transactions.

Echeck transactions can be rejected during initial data validation checks by Authorize.net. They can be rejected for several reasons, including these:

- Closed merchant payment gateway account
- Invalid routing number or account number
- Fails Notification of Change check (the transaction includes outdated customer or payment information that was updated in a Notification of Change issued for a previous transaction for the same customer)
- Amount exceeds the merchant's per-transaction limit
- Transactions submitted in the current calendar month have exceeded the merchant's monthly processing limit
- Merchant is not enabled for the echeck transaction type submitted
- Refund rejected for exceeding the original charge
- Refund rejected for insufficient funds (there were not enough available funds in the merchant's eCheck settlement sub-account to cover the refund amount)

Typically, rejected transactions are given the status of "Failed Review" or "Declined."

To view transactions that failed review:

1. Select **Payments > Manage Transactions**.
2. Select a date range.
3. Click or tap **Filter**.
4. Under **Transaction Status**, select "Failed eCheck Review".
5. Click or tap **Apply Filter**.

Your results will display all failed review transactions in the date range you selected.



Important: Only users with the appropriate permissions can access this setting.

Funding

Understanding the eCheck funding process, sub-accounts, fee withholding, and funding calculations.

Funding refers to the transfer of eCheck proceeds from Authorize.net to your merchant bank account, following the funds holding period. For echeck transaction processing, Authorize.net acts as the acquirer, which is why you are required to go through an underwriting process to obtain an eCheck account.

Sub-Accounts

Authorize.net uses several different sub-accounts to manage the flow of settlement funds for your eCheck account:

eCheck Settlement sub-account

Used to manage all funds received from eCheck settlements.

Billing Reserve sub-account

Used to manage a portion of eCheck settlement funds withheld by Authorize.net for service fees. These funds are applied toward your monthly billing.

eCheck Reserve sub-account (if applicable)

Used to manage a percentage of eCheck settlement funds withheld by Authorize.net to cover potentially high-risk transactions.

An electronic statement for each applicable sub-account is included in the Statements menu of the Merchant Interface.

Funding Process

Funding follows this process:

1. Proceeds for a batch of echeck transactions are collected and deposited into a settlement sub-account to manage your eCheck settlement funds.
2. From these batch settlement funds, Authorize.net assesses all applicable fees for your echeck transactions including per-transaction fees, discount fees, returned item or chargeback fees. These fees are then placed into your billing reserve sub-account.
3. Authorize.net also assesses risk reserve withholdings, if applicable, from your batch settlement funds and places them in your reserve sub-account. For more information about risk reserves, refer to the Reserves topic.

4. After the funds holding period established for your eCheck account expires, Authorize.net initiates an ACH Network transaction to transfer the remaining proceeds from the batch to your merchant bank account.
5. At monthly billing, Authorize.net reviews your billing reserve sub-account balance and transfers the amount needed to cover your billing balance to your billing sub-account. If your billing reserve sub-account balance is less than your billing balance, Authorize.net initiates an ACH Network transaction to charge your merchant bank account for the difference.
6. At the appropriate time, Authorize.net transfers funds or a portion of funds held in your risk reserve to your merchant bank account.

For more information about the timeframe for funding, refer to [Appendix B \(on page 60\)](#).

eCheck Fee Withholding Summary

The eCheck fee withholding summary in the Merchant Interface provides information about how usage fees for batches eligible for the next payment gateway billing are assessed. A fee withholding summary is created each time that the payment gateway identifies usage fees that need to be held for your account, or excess funds that were previously held that are now available for funding.

To view the eCheck settlement fee withholding summary for a usage fees transfer event in the Merchant Interface:

1. Select **Reports > eCheck Reports**.
2. Choose "Settlement Statement" from **Available Reports**.
3. Find and click or tap on a usage fees transfer entry, such as Billing Transfer, for which you would like to view calculation details.



Important: Only users with the appropriate permissions can access this summary.

The fee withholding summary provides the following information:

Batches Eligible for Billing

Lists batches that settled successfully but that have not yet been billed and for which payment gateway usage fees are being assessed.

Transaction Count Statistics

Provides statistics for the types of transactions for which usage fees should be withheld, such as charge and refund transactions.

Dollar Volume Statistics

Indicates the dollar volume per transaction type for transactions included in the eligible batches.

Fee Summary

This section categorizes the usage fees for your payment gateway account, including returned item fees, chargeback fees, batch fees, per-transaction fees, and discount rate fees.

Total Usage Fees for Batches Eligible for Billing

Provides a total dollar amount of usage fees that should be held in billing reserve for eligible batches.

Funds Withholding Calculation

Indicates the amount of funds that are being held for usage fees related to eligible batches.

eCheck Settlement Funding Calculation

The eCheck Settlement Funding Calculation page in the Merchant Interface describes how the amount funded to your merchant bank account for a specific batch settlement was calculated.

To view settlement funding calculations:

1. Select **Reports > eCheck Reports**.
2. Under **Available Reports**, select "Settlement Statement".



Important: Only users with the appropriate permissions can access this setting.

The eCheck settlement funding calculation provides information about billing status, active dates, billing balance, batches available for funding, charge transactions during the funds holding period, and the funding amount calculation including beginning balance, deductions, and total amount funded.

Returns and Chargebacks

Understanding eCheck returns, chargebacks, and Nacha compliance thresholds.

Echeck transactions that are submitted successfully to the ACH Network but that are later rejected because they could not be successfully processed through the ACH Network are called returns.

Types of Returns

There are three types of returns:

Insufficient funds returns

Occur when the customer's bank account does not have sufficient funds to cover the echeck transaction.

Unauthorized returns (chargebacks)

Occur when: (1) the customer they did not authorize the echeck transaction or had revoked the authorization (this can also happen when the customer and the actual account holder are not the same person, that is, identity theft); (2) the transaction was for a different dollar amount than was originally authorized; or (3) the transaction was settled before the date of the customer's authorization.

Administrative returns, or returned items

Include all other reasons for a return, such as account closed, account number invalid, non-transaction account, or account frozen.

Return Handling

All unsuccessful echeck transactions returned through the ACH Network include a return code to indicate the reason for the return. You are responsible for taking any appropriate action when echeck transactions are returned.

For more information about ACH return codes, refer to [Appendix C \(on page 62\)](#).

The amount of each return, including a returned item fee or chargeback fee, is posted to your eCheck settlement sub-account and statement. If sufficient funds do not exist in your eCheck ACH Network settlement sub-account, Authorize.net initiates a charge to your bank account for the amount that your eCheck settlement sub-account is overdrawn.

Chargebacks

For transactions made from personal checking and savings bank accounts, Nacha grants a 60-day period during which a customer can return a charge item erroneously posted to the customer's bank account. The 60-day interval begins on the date that the bank made its statement with the transaction listed available to the customer.



Important: If your echeck return rates exceed Nacha thresholds, Nacha might require you to provide additional information. You will be notified by Authorize.net and will be expected to immediately respond and work to become compliant. After becoming compliant you will be required to maintain that compliance for the next 180 days. If you are unable to reach and maintain compliance, your account might be terminated.

These items are the current thresholds for returns:

Return Type	Nacha % Threshold	FNBO Volume Threshold	Days to Comply	Maintenance Period
Unauthorized	0.50%	5 Items	30 Days	180 Days
Administrative	3.0%	15 Items	60 Days	180 Days
Total	15.0%	25 Items	60 Days	180 Days

Take precautions to minimize the risk of losses when using the eCheck service. To reduce the potential for chargebacks, ensure that you are receiving the proper payment authorization prior to processing an echeck transaction. You might also want to consider waiting to ship goods until after echeck transaction proceeds are deposited in your merchant bank account (following the required Authorize.net holding period).

Viewing Returns

To view eCheck return reports in the Merchant Interface:

1. Select **Reports > eCheck Reports**.
2. Under **Available Reports**, select "Returns & Chargebacks".
3. Filter either by **Original Settlement Batch Date** or **Returned Date**.
4. Select a date range. A summary of returns and chargebacks appear based on the filters you chose.
5. In the eCheck Returns section, click or tap **Details**.
6. In the report results to view details for the original transaction.



Important: Only users with the appropriate permissions can access this setting.

Notifications of Change

Understanding Notifications of Change (NOC) from customer banks and required merchant actions.

A Notification of Change (NOC) is an ACH Network notice from a customer's bank indicating that an echeck transaction included incorrect customer or payment information. The bank will correct the information, post the transaction to the customer's bank account, and notify you that payment information needs to be updated.

All NOCs include a code that indicates the necessary change. You are responsible for taking any appropriate action when a NOC is received. For more information about ACH NOC codes, refer to [Appendix D \(on page 70\)](#).

You must make the necessary changes prior to originating the next echeck transaction for the same customer. If you are using Automated Recurring Billing (ARB) or another recurring billing solution, be sure to update information in your subscription records.

Authorize.net maintains a database of all NOC entries. All submitted echeck transactions are screened against this list. If the data is not corrected, you receive an error when attempting to process a new transaction for the customer. Repeated attempts to submit an uncorrected transaction can result in a fine and possible sanctions from Nacha.

Viewing NOCs

To view NOCs:

1. Select **Reports > eCheck Reports**.
2. Under **Available Reports**, select "Notice of Change (NOC)".
3. Select a date range.



Important: Only users with the appropriate permissions can access this setting.

Reserves

Understanding risk reserve accounts, including rolling and fixed reserve types.

Authorize.net might require that you have a risk reserve account as a condition for providing eCheck services. A risk reserve account holds a certain percentage or amount of your eCheck proceeds in reserve to cover costs incurred from high risk or charged back transactions.

Reserve Determination Factors

These factors are considered when determining whether a risk reserve account is required for your account:

- How long your company has been in business
- How long your company has conducted business with Authorize.net
- Your company's transaction history with Authorize.net
- The creditworthiness of the financial information you have provided
- The creditworthiness of the personal guarantee that you have provided
- Your company's industry type

Types of Risk Reserve Accounts

There are two types of risk reserve accounts: fixed and rolling.

Before we discuss what these types of risk reserves are, here are a couple of definitions that might help you understand how the risk reserve works:

Reserve rate

The percentage rate at which funds are withheld from each eCheck batch settlement for your account.

Reserve target

The maximum dollar amount that can be held in your risk reserve account.

Reserve holding days

The number of days funds are held in your reserve account.

Rolling Risk Reserve

A rolling reserve is implemented by specifying a reserve rate and number of reserve holding days. The reserve balance is established by withholding funds from your batch settlement at the reserve rate with no reserve target specified. Rather, each amount withheld is retained for a specified number of reserve holding days.

As with fixed reserves, rolling reserve withholdings from settlement funds show on the eCheck settlement statement as a negative "Intra Account" item and on the reserve statement as a positive "Intra Account" item. The eCheck settlement statement balance is reduced, and the reserve statement balance is increased by the same amount.

Rolling reserves are automatically released to your merchant bank account at a set interval. After the last day of holding, the amount of funds held from that original batch settlement is transferred back to the eCheck settlement statement where available funds are subsequently deposited to your bank account.

If the reserve rate and reserve holding days are modified, changes become effective after the next batch settlement.

Fixed Risk Reserve

For a fixed risk reserve, the reserve balance is established by the receipt of a lump sum deposit from you, the merchant, or by the withholding of funds at the reserve rate established for the account from each batch settlement until the reserve balance is equal to the reserve target. Your fixed risk reserve can also be established by a combination of lump sum deposit and withholding of settlement funds.

Reserve withholdings from settlement funds show on the eCheck settlement statement as a negative "Intra Account" item and on the reserve statement as a positive "Intra Account" item (as funds are being transferred from your eCheck settlement sub-account to the reserve sub-account). The eCheck settlement statement balance is reduced and the reserve statement balance is increased by the same amount.

Fixed reserves are not automatically released to your merchant bank account; manual intervention is required. The reserve holding days period does not apply to a fixed reserve. Risk reserve funds are withheld at the reserve rate until the reserve target is met. If the reserve target setting for your account is reduced, the difference between the reserve balance and the new reserve target is transferred back to the eCheck settlement statement, where available funds are subsequently deposited to your bank account.

When your reserve rate and reserve target are modified, changes become effective for the next batch settlement.

Viewing Reserve Information

To look up your reserve information:

1. Choose **Reports > eCheck Reports**.
2. Click or tap **View eCheck Terms**. The terms of your eCheck account appear, including your reserve details.



Important: If the risk reserve does not appear in the Merchant Interface, there is no risk reserve setting for your payment gateway account.

Frequently Asked Questions

Common questions and answers about eCheck application, processing, authorization, settlement, and returns.

About the eCheck Application Process

Does the principal name on my eCheck application have to match the principal name on my Authorize.net Payment Gateway account?

Yes.

How does the eCheck application approval process work?

The Authorize.net eCheck department reviews your eCheck service application and accompanying documentation based on pre-determined underwriting criteria.

Authorize.net might request additional information or documentation from you before making a decision about your application. In addition, Authorize.net might require a risk reserve (the withholding of a percentage of eCheck funds to cover potential costs incurred by high-risk transactions) prior to activation of the service.

After your application is reviewed, you will be notified by email of the underwriting decision. The email will include the monthly and per-transaction processing limits for your eCheck account and any other applicable fees. If your application is declined, the email will provide the reason(s) for the decline.

How long does the eCheck application process take?

The eCheck application and underwriting process might take up to 3 business days when complete and correct information is provided. If the application is incomplete or required documents are missing, you will receive an email notifying you that additional information is required to complete the approval process.

How do I check the status of my eCheck application?

After you apply for eCheck, you will see a pop-up when you log into the Merchant Interface to inform you that your application is approved.

What are my eCheck processing limits, and who sets them?

The maximum processing limit amounts available to you depend on the information provided in the eCheck service application. When filling out the eCheck application, you can request certain monthly and per-transaction processing limits within the maximum amounts dictated by the application criteria.

The monthly processing limit is the maximum dollar amount you can process for the total number of echeck transactions processed per month. The per-transaction processing limit is the maximum dollar amount you can process for a single echeck transaction. Your requested limits are reviewed during the underwriting process. However, the Authorize.net eCheck department ultimately sets your processing limits.

When you have established a transaction history with Authorize.net, you can request a processing limit increase by sending an email to risk@authorize.net. At that time, the Authorize.net eCheck department reviews your account history and can approve, modify, or decline the request to increase your processing limits.

To view processing limits for your eCheck account:

1. Select **Reports > eCheck Reports**.
2. Click or tap **View eCheck Terms**. The processing limits are listed.

About Processing eCheck Transactions

Are there transaction fees associated with eCheck?

Yes. Some eCheck service fees (including the application and setup) are determined by Authorize.net, but other fees (discount rate, monthly minimum, and per-transaction fees) are determined by your reseller or the sales organization through which you obtained your Authorize.net Payment Gateway account on a per-merchant basis.

What minimum required information is needed to process an echeck transaction?

The customer's name as it appears on their bank account, the customer's bank account number, the type of bank account (checking, business checking, savings), the ABA routing number for the customer's bank, the amount of the transaction, and whether the transaction is a charge or a refund.

How does the customer know their bank's ABA routing number?

The customer finds their bank's ABA routing number and their bank account number at the bottom of one of their paper checks. The ABA routing number is always nine digits.

What are the eCheck transaction types? When do I submit a certain type?

Accounts Receivable Conversion (ARC)

A single-entry debit against a customer's checking account. ARC enables merchants to collect payments received in the mail or left in a drop box and convert them to an electronic payment later. The customer's check is not returned to the customer by the merchant nor the bank. Combined with notices posted by the merchant, the signed check serves as transaction authorization.

Back Office Conversion (BOC)

A one-time charge transaction against a customer's checking account. BOC enables merchants to collect a check written at a point of sale (checkout counter, manned bill payment location, service call location) and convert it to an ACH Network debit during back-office processing. The merchant does not return the check to the customer. Combined with notices posted by the merchant, the signed check serves as transaction authorization.

Cash Concentration or Disbursement (CCD)

A charge or credit against a business checking account. One-time or recurring CCD transactions are fund transfers to or from a corporate entity. A standing payment authorization is required for recurring transactions.

Prearranged Payment and Deposit Entry (PPD)

A charge or credit against a personal checking or savings account. PPD transactions can only be originated when payment and deposit terms are prearranged with the customer, for example, with Automated Recurring Billing (ARB) transactions. A written payment authorization from the customer is required for one-time transactions and a written standing authorization is required for recurring transactions.

Telephone-Initiated Entry (TEL)

A one-time or recurring charge against a personal checking or savings account. TEL transactions can only be originated when a business relationship with the customer already exists; or if no relationship exists, only when the customer initiates the telephone call. Payment authorization is obtained from the customer by telephone.

Internet-Initiated/Mobile Entries (WEB)

A one-time or recurring charge against a personal checking or savings account initiated by the Internet or a mobile device on a wireless network. Payment authorization is also obtained from the customer by the Internet or a mobile device on a wireless network.

When submitting transactions from the Virtual Terminal or creating a new ARB subscription, the eCheck type can be automatically populated depending on whether the transaction is a charge or refund and depending on the Bank Account Type selected. For example, charge and credit transactions to a business checking account will always be CCD.

Transactions submitted from a website should default to WEB. For transactions submitted by an uploaded transaction file, you will need to include the appropriate eCheck type based on the descriptions above.

What types of bank accounts can be used for echeck transactions?

Only US based personal checking, savings, and business checking accounts are used for processing echeck transactions. Some banks do not allow certain types of accounts. Contact your bank to verify the types of checking accounts from which you process echeck transactions.

Can I issue a credit/refund with eCheck?

Yes, you can issue a credit/refund for echeck transactions. The following requirements apply:

- The original echeck transaction for which the refund is being issued must have been processed through the Authorize.net Payment Gateway.
- eCheck refunds must be submitted with the transaction ID of the original echeck transaction.
- The amount of the refund must be less than or equal to the dollar amount of the original transaction.
- The sum amount of multiple refunds submitted against the same original transaction must be less than or equal to the dollar amount of the original transaction.
- There must be available funds (meaning funds that are no longer in the holding period) in your eCheck Settlement sub-account to cover the refund. If sufficient funds do not exist in your eCheck Settlement sub-account, the refund transaction will be rejected.

About Payment Authorization

Do I have to receive an authorization from the customer to charge their bank account?

Yes, you must have proper authorization from your customer prior to initiating an echeck transaction. This is required by Nacha, as well as federal legislation.

What information is needed for a customer's authorization to charge their bank account?

Payment authorization can be obtained in a variety of ways, either physically on a piece of paper, electronically onscreen or for ARC and BOC entries, by posting required notices before accepting a customer's check. A proper payment authorization must include all of the following elements:

- Clear and conspicuous statement of the terms of the transaction, including amount
- Written language displayed to the customer that is readily identifiable as an authorization by the customer to the transaction (for example, "I authorize Merchant to charge my bank account"), and that is capable of being reproduced
- For ARC and BOC entries only, the customer's signed check serves as authorization if the merchant has posted the required notices
- Evidence of the customer's identity
- The date the authorization was granted and the effective date of the transaction (the transaction cannot be processed before the effective date)
- The bank account number to be charged
- The nine-digit ABA routing number of the customer's bank

For recurring transactions, the following must also be provided:

- The frequency of the charge
- The duration of time for which the customer's payment authorization is granted
- Written language indicating that the customer can revoke the authorization by notifying the merchant as specified in the authorization

To view samples of echeck transaction payment authorizations, see [Appendix A \(on page 57\)](#).

How long do I need to keep the customer's authorization after charging their bank account?

Evidence of your customer's authorization must be kept for two years after the date the authorization ended. For a single transaction, two years is sufficient. For a recurring transaction, the authorization must be kept for two years after the final transaction occurred, or when the customer's authorization ended.



Important: Although Nacha and Authorize.net require record retention for customer authorization records for a period of two years, the statute of limitations for state laws governing transaction disputes can dictate a period anywhere between two to seven years. Authorize.net recommends that you familiarize yourself with these laws.

Can I charge the customer's bank account prior to receiving authorization?

No. You can submit a bank account charge through the Authorize.net Payment Gateway only after you are in receipt of the customer's payment authorization.

About eCheck Settlement and Funding

What is my daily Transaction Cut-Off Time?

The Transaction Cut-Off Time is the time of day Authorize.net batches all transactions submitted for your account. The default cut-off time is 4:00 PM Pacific time.

To customize the Transaction Cut-Off Time:

1. Select **Account > Account and API Settings**.
2. Click or tap **Transaction Cut-Off Time** in the Transaction Settings section.
3. Enter the desired cut-off time.
4. Click or tap **Save**.



Important: Only users with the appropriate permissions will be able to access this setting.

How often do my echeck transactions settle?

eCheck batch settlement occurs each business day, excluding banking holidays. echeck transactions submitted each day are sent to the ACH Network the following business day at 10:00 AM Pacific time. Transactions submitted after the Transaction Cut-Off Time are included with the next business day's batch.

How does Authorize.net bill for eCheck services?

Authorize.net assesses usage fees for the eCheck service by withholding funds from your transaction processing proceeds.

There are a few important things to remember about what happens with your account when usage fees are assessed:

- The payment gateway identifies batches that have successfully settled, have not yet been billed, and are eligible for billing.
- After assessing the appropriate transaction processing and services fees based on the transaction types and counts included in the eligible batches, the payment gateway looks at the available balance of your billing reserve that can be applied for usage fees.
- Depending on the balance of your billing reserve, the payment gateway will either withhold any necessary additional funds from your processing proceeds or prepares to release excess funds to your merchant bank account.

You can view information regarding how fees are assessed and withheld by viewing the eCheck Settlement Statement. Each usage fees transfer entry (such as Billing Transfer) links to an eCheck Fee Withholding Summary. These summaries are designed to provide you with more details about how usage fees for successfully settled batches are assessed by the payment gateway.

The eCheck Fee Withholding Summary provides this information:

- **Batches Eligible for Billing:** Lists batches that have settled successfully but have not yet been billed and for which payment gateway usage fees are being assessed
- **Transaction Count Statistics –** Provides statistics for the types of transactions for which usage fees should be withheld, such as charge and refund transactions
- **Dollar Volume Statistics –** Indicates the dollar volume per transaction type for transactions included in the eligible batches
- **Fee Summary –** This section provides a breakdown of the usage fees for your payment gateway account, including:

- Returned Item – Reports any returned items included in the eligible batches and indicates the usage fees assessed
- Chargeback – Reports any chargebacks included in the eligible batches and indicates the usage fees assessed
- Batches – Reports the number of eligible batches and indicates the batch fees assessed
- Per-Transaction Fee (Tier Type) – Provides information about the pricing structure, Cumulative or Stepped Tier, used to calculate per-transaction fees assessed for transactions included in the eligible batches
- Discount Rate (Tier Type) – Provides information about the discount rate structure, Cumulative or Stepped Tier, used to calculate discount rate fees assessed for transactions included in the eligible batches
- Discount Rate (Tier Type) – Provides information about the discount rate structure, Cumulative or Stepped Tier, used to calculate discount rate fees assessed for transactions included in the eligible batches
- Funds Withholding Calculation – Indicates the amount of funds that are being held for usage fees related to eligible batches. The amount held will depend on the amount of funds in your account’s Billing Reserve at the time the Fee Withholding Summary is created. Funds in your Billing Reserve will be applied toward the amount of usage fees that should be held for batches eligible for billing. Any remaining amount of usage fees will then be held. In the event that the amount of funds available in your Billing Reserve is greater than the total amount of usage fees that should be held for eligible batches, the remaining funds will be released.

How long does it take for eCheck proceeds to be deposited to my merchant bank account?

Due to processing through the ACH Network and the subsequent payment gateway holding period, the deposit of eCheck proceeds can vary by merchant. The timeframe depends on several variables such as the day of the week the transaction is submitted, the number of holding days established for your eCheck account, if the transaction is returned for any reason, or if processing spans a weekend, and so on



Important: Because the availability of funds is not verified in real time, you should wait at least the same amount of time as your funds holding period before shipping or providing access to merchandise purchased using eCheck.

Why is there a holding period for eCheck batch settlement funds?

Authorize.net holds your eCheck batch settlement funds for a pre-determined period before depositing them to your bank account to allow for any returned items or chargebacks for the batch to be received.

Why is my bill for eCheck fees more than the amount withheld?

The processes for withholding fees and billing for fees are separate in the Authorize.net system. However, both processes interact with eCheck batches depending on their settlement status. In the event that an eCheck batch is not yet successfully settled and therefore not eligible for billing when the process for withholding fees occurs but is later successfully settled when the billing process occurs, your bill for eCheck fees will be more than the amount previously withheld for fees.

What does Authorize.net do with my eCheck settlement funds?

Authorize.net uses several different “sub-accounts” to manage the flow of settlement funds and billing for your eCheck account:

- eCheck Settlement account – Manages all funds received from eCheck settlements
- Billing Reserve account – Manages a portion of eCheck settlement funds withheld by Authorize.net for service fees
- eCheck Reserve account (if applicable) – Manages a percentage of eCheck settlement funds withheld by Authorize.net in risk reserve
- Billing account – Manages funds which are applied toward monthly billing

An electronic statement for each of these sub-accounts is included in the Statements menu of the Merchant Interface.



Important: Billing methods can vary by merchant. Depending on the billing configuration for your eCheck account, you might not have all the accounts and accompanying statements discussed in this section.

A typical eCheck batch settlement works as follows:

1. You submit echeck transactions to Authorize.net.
2. Authorize.net batches all submitted echeck transactions at the pre-determined daily Transaction Cut-Off Time for your account.
3. Authorize.net submits transactions to the ACH Network to begin the settlement process. This does not include rejected transactions. However, these do still appear on the eCheck Settlement statement.
4. Any returned, charged back, and refunded transactions are assessed against the total dollar amount of your batch settlement funds. The final balance is posted to your eCheck Settlement statement.

5. eCheck service fees (discount fee, transaction fees, and so on) are assessed against the total dollar amount of your batch settlement, reducing the account balance on your eCheck Settlement statement and an entry is posted to your Billing Reserve statement (increasing the balance on your Billing Reserve statement by the same amount).
6. If your eCheck account includes a Risk Reserve requirement, reserve funds are deducted from the total dollar amount of charges and refunds for your batch settlement, reducing the account balance on your eCheck Settlement statement and an entry is posted to your Risk Reserve statement (increasing the balance on your Risk Reserve statement by the same amount). (See the FAQ titled “What is a Risk Reserve?” for detailed information about risk reserves.)
7. After the holding period for your account, the amount of available funds (meaning funds that are no longer in the holding period) from the batch settlement are forwarded to your bank account by a separate ACH transaction.
8. If your eCheck account includes a Risk Reserve requirement, at the end of the reserve hold period, funds are moved from the Risk Reserve statement to the eCheck Settlement statement. The amount of available funds (meaning funds that are no longer in the holding period) are forwarded to your bank account by a separate ACH transaction.



Important: The term “available funds” refers to the portion of funds in your eCheck Settlement sub-account that are no longer in the holding period. The available funds or balance is your eCheck Settlement statement account balance less the total dollar amount of eCheck charge transactions for batches that are still in the holding period.

When can I ship the goods to the customer?

You should wait at least the same amount of time as your funds holding period before shipping or providing access to merchandise purchased using eCheck.

Why was my echeck transaction authorized and then later rejected?

eCheck transactions experience several validation phases. When first submitted to Authorize.net, echeck transactions are validated for the presence of required data, such as the bank account number and ABA routing number. Once the transaction is submitted to the ACH Network, it experiences additional validations to confirm that the bank account exist and that there are enough funds in the customer’s bank account to cover the transaction, among others. At several points during the entire eCheck processing cycle, a transaction can be returned for various reasons. So, it is possible that an echeck transaction can pass the initial phases of validation and be returned or rejected later in the cycle.

You will generally see a transaction status of “Returned” when there are insufficient funds on the eCheck Settlement Statement to cover an attempted refund for an echeck transaction.

Why are some of my transactions under review?

If an echeck transaction does not provide enough information for OFAC validation, or if there is insufficient authorization information, the transaction is held for manual review. Such situations delay the settlement of the transaction until manual review is complete.

How do I find my “failed review” and “under review” transactions?

To find transactions that failed review or are under review:

1. Select **Payments > Manage Transactions**.
2. Select a date range.
3. Click or tap **Filter**.
4. Under **Transaction Status**, select either "Failed eCheck Review" or "Pending eCheck Review."
5. Click or tap **Apply Filter**.

Your results will display all relevant transactions in the date range you selected.



Important: Only users with the appropriate permissions can access this setting.

For instructions on how to sign up for the eCheck Settlement Report, see the FAQ titled “How do I sign up to receive the eCheck Settlement Report?”

About Returns and Notifications of Change

What is a chargeback?

A chargeback occurs when a bank account holder claims they did not authorize an echeck transaction. This can occur when your customer and the account holder are not the same person (that is, identity theft), when authorization was not properly obtained from your customer or when your customer does not recognize a transaction.

Can I dispute a chargeback?

Yes. You can require payment from the customer or the account holder through other means than their bank account.

Can I still collect payment by Authorize.net from a customer that has initiated a chargeback?

No. Once an echeck transaction is returned by a bank as a chargeback, you cannot initiate another charge by Authorize.net to the account holder’s bank account for the same transaction. Your recourse is limited to requesting payment by some other means from the customer or account holder; or commencing legal proceedings to force payment.

What is a return?

A return is an echeck transaction that cannot be completely processed by the ACH Network for reasons such as insufficient funds in the customer's bank account, invalid account number, account closed or other rejection reason(s) by the customer's bank.

For more information about the various reasons why a transaction might be returned, see [Appendix C – eCheck Return Codes \(on page 62\)](#).



Important: In this case, a return is different than a customer requesting a refund for merchandise or services they no longer wish to purchase.

Will I get a notification of returns?

Yes. You can receive notification of returned items by email on the daily eCheck Settlement Report. For instructions on how to sign up for the eCheck Settlement Report, see the FAQ titled “How do I sign up to receive the eCheck Settlement Report?”

How do I sign up to receive the eCheck Settlement Report?

To receive the eCheck Settlement Report:

1. Select **Account > My Profile**.
2. Click or tap **Notification Settings**.
3. Check **eCheck Settlement Report**.
4. Click or tap **Save Changes**.

How do I find returned transactions?

There are several eCheck return reports in the Merchant Interface.

- Returns by Settlement Date – Use this report to look up all returned items and chargebacks that were settled on a certain date or within a date range.
- Returns by Batch Date – Use this report to look up all returned items and chargebacks received for original transactions in a certain batch or for all original transactions included in multiple batches within a date range.
- Returns by Transaction ID – This report lists all returned items and chargebacks associated with a specified transaction.

To find the reports:

1. Select **Reports > eCheck Reports**.
2. Under **Available Reports**, select "Returns & Chargebacks".
3. Filter either by **Original Settlement Batch Date** or **Returned Date**.
4. Select a date range. A summary of returns and chargebacks appear based on the filters you chose.
5. In the eCheck Returns section, click or tap **Details**.
6. In the report results to view details for the original transaction.



Important: Only users with the appropriate permissions can access this setting.

You can click on any transaction ID in the report results to view details for the original transaction.

What is a Notification of Change?

A Notification of Change ("NOC") is an ACH notice from the customer's bank indicating that an echeck transaction included incorrect customer or payment information. The bank will correct the information, post the transaction to the customer's bank account, and notify you that payment information needs to be updated.

You will have up to six banking days from the receipt of the NOC to make the necessary changes, or prior to originating the next echeck transaction for the same customer (whichever is later). If you are using Automated Recurring Billing (ARB) or another recurring billing solution, be sure to update information in your subscription records. Authorize.net maintains a database of all NOC entries. All submitted echeck transactions are screened against this list. If the data is not corrected, you will receive an error when attempting to process a new transaction for the customer. Repeated attempts to resubmit an uncorrected transaction can result in a fine from Nacha.

For more information about the various reasons why you might receive a NOC, see

About eCheck Statements

How is my eCheck billing statement descriptor established?

You can request a billing statement descriptor when filling out the eCheck service application in the field labeled "Please provide a 10-character abbreviation of your company name." What you enter in this field will appear on your customers' bank statements, following the words "ECHECK TRANSACTION" (for example, ECHECK TRANSACTION XXXXXXXXXXXX) for each echeck transaction you process for them. If nothing is entered, the first 10 characters of your company's name will be used.

If you need to change the descriptor, send an email with the desired 10-character descriptor to risk@authorize.net.

What is my eCheck Settlement statement?

Your eCheck Settlement statement manages all funds for echeck transactions processed through your account. Settlement funds relayed from the ODFI to Authorize.net for echeck transactions are first entered into your eCheck Settlement sub-account. Authorize.net then withholds a portion of funds for service fees (which are transferred to your Billing Reserve sub-account) and, if required, withholds a portion of funds to insure against any possible risk-related events such as return or chargeback activity (which are transferred to your Risk Reserve sub-account). After the hold period, the remaining batch settlement funds are transferred from your eCheck Settlement statement to your bank account. Entries for each of these actions will appear on your eCheck Settlement statement.



Important: Billing methods can vary by merchant. Depending on the billing configuration for your eCheck account, your service fees might not be withheld from your eCheck proceeds.

How do I read my eCheck Settlement statement?

The following information is provided on your eCheck Settlement statement for each entry:

- **Date** – The date of the statement entry.
- **Type** – The type of entry or action taking place for your eCheck Settlement sub-account. For example, Settlement or Transfer.
- **Item** – The item field further describes the type of entry or action taking place. For example, a Transfer can be an Intra Account Transfer, meaning that funds are being moved to another sub-account, such as the eCheck Reserve sub-account; or it can be an eCheck Out Transfer, meaning that a portion of settlement funds are being deposited to your merchant bank account by a separate ACH transaction.
- **Item Description** – The type of action that is occurring and the funds being deposited or transferred. For example, if a Batch Settlement has occurred, the Item Description will include the date and time of the batch settlement and the number of transactions included in the batch.
- **Amount** – Indicates the amount being deposited or transferred from your eCheck Settlement sub-account. For the eCheck Settlement statement, when an amount appears in parentheses, funds are being transferred out of the account, and the Account Balance will be decreased by the same amount.
- **Account Balance** – The current dollar amount in your eCheck Settlement sub-account. A negative balance indicates funds owed to Authorize.net. A positive balance indicates funds owed to you.

In addition, you can click on linked items to view details for the entry.

- Clicking on a return or chargeback item will display the returned transactions report for the associated batch.
- Clicking on a charge/refund item will display a transaction summary for the associated batch.
- Clicking on a funding calculation will display the settlement funding calculation for that day.
- Clicking on a usage fees transfer will display the fee withholding summary for batches eligible for billing as of the date and time the entry is created.

What is my Billing Reserve statement?

Typically, Authorize.net holds all applicable service fees from eCheck batch settlement funds. These withholdings are accounted for on your Billing Reserve statement.

For example, you might settle a batch of 10 echeck transactions totaling \$120.00. Once those funds are relayed to Authorize.net, discount fees, transaction fees, returned item fees, and charge back fees applicable to that settlement batch, are withheld from the settlement amount of \$120.00. If the Discount Fee is 1.95%, ($\$120.00 \times 1.95\% = \2.34) and the Transaction Fee is \$0.30 ($10 \times \$0.30 = \3.00), for that settlement, approximately \$5.34 ($\$2.34 + \$3.00 = \5.34) would be held from the settlement amount and placed in your Billing Reserve sub-account until your next Authorize.net billing. At that point, the amount needed to cover the billing balance is transferred from your Billing Reserve sub-account to your Billing account where they are applied to your Authorize.net monthly billing.



Important: Service billing methods can vary by merchant. Depending on the billing configuration for your eCheck account, your service fees might not be withheld from your eCheck proceeds.

How do I read my Billing Reserve statement?

The following information is provided on your Billing Reserve statement for each entry:

- Date – The date of the statement entry
- Type – The type of entry or action taking place for your eCheck Settlement sub-account, for example, Transfer
- Item – The item field further describes the type of entry or action taking place. For example, a Transfer can be a Billing Transfer From Reserve, meaning that funds are being moved to your Billing sub-account.

- Item Description – The type of action that is occurring and the funds being deposited or transferred
- Amount – Indicates the amount being transferred to or from another sub-account. For the Billing Reserve statement, when an amount appears in parentheses, funds are being transferred out of the account, and the Account Balance will be decreased by the same amount.
- Account Balance – The current dollar amount of funds in your Billing Reserve sub- account. A negative balance indicates funds owed to Authorize.net. A positive balance indicates funds owed to you.

What is a Risk Reserve?

Authorize.net might require a Risk Reserve account as a condition for creating an eCheck account. The Risk Reserve account holds a certain percentage of your eCheck funds in reserve to cover potential costs incurred from high risk, returned, or charged back transactions.

The following factors are considered when determining whether a Risk Reserve account is required for your account:

- How long your company has been in business
- How long your company has conducted business with Authorize.net
- Your company's transaction history with Authorize.net
- The creditworthiness of the financial information you have provided
- The creditworthiness of the personal guarantee you have provided
- Your company's industry type

A percentage of batch settlement funds are held in your Risk Reserve sub-account and are indicated on your corresponding Risk Reserve Statement. There are two types of risk reserve accounts: Fixed and Rolling.

Fixed Risk Reserve

For a Fixed Risk Reserve, the reserve balance is established by either (1) a receipt of a lump sum deposit from you, the merchant, or (2) withholding funds at the Reserve Rate established for the account from each batch settlement until the reserve balance is equal to the Reserve Target. Your Fixed Risk Reserve can also be established by a combination of lump sum deposit and withholding of settlement funds.

Risk reserve funds will be withheld at the Reserve Rate until the Reserve Target is met. If the Reserve Target setting for your account is reduced, the difference between the reserve balance and the new Reserve Target will be transferred back to the eCheck Settlement statement, where available funds will be subsequently deposited to your bank account.

Rolling Risk Reserve

A rolling reserve is implemented when the reserve balance is established by withholding from your available settlement funds at the Reserve Rate and no Reserve Target is specified. Rather, each amount withheld is retained for a specified number of Reserve Holding Days.

Rolling reserves are automatically released to your merchant bank account at a set interval. After the last day of holding, the amount of funds held from that original batch settlement will be transferred back to the eCheck Settlement statement where available funds will be subsequently deposited to your bank account.

To check the risk reserve method for your eCheck account:

1. Select **Reports > eCheck Reports**.
2. Click or tap **View eCheck Terms**. The reserve method, if any, is listed.

How do I read my Risk Reserve statement?

The following information is provided on your Risk Reserve statement for each entry:

- **Date** – The date of the statement entry
- **Type** – The type of entry or action taking place for your Risk Reserve sub-account, for example, Transfer.
- **Item** – The item field further describes the type of entry or action taking place, for example, Intra Account
- **Item Description** – The type of action that is occurring and the funds being deposited or transferred
- **Amount** – Indicates the amount being transferred to or from another sub-account. For the Risk Reserve statement, when an amount appears in parentheses, funds are being transferred out of the account, and the Account Balance will be decreased by the same amount.
- **Account Balance** – The current dollar amount of funds in your Risk Reserve sub-account. A negative balance indicates funds owed to Authorize.net. A positive balance indicates funds owed to you.

What is my Billing statement?

Your Billing sub-account and corresponding Billing Statement manages all activity for your Authorize.net bill including eCheck. Authorize.net billing occurs on the 1st day of each month.

Your Billing Reserve sub-account and Billing sub-account have different functions. Your Billing Reserve sub-account manages funds that are withheld from your eCheck settlement funds to help cover your eCheck service fees. These withholdings are transferred to your Billing sub-account at each monthly billing and are applied to your general Authorize.net monthly billing.

How do I read my Billing statement?

The following information is provided on your Billing statement for each entry:

- **Date** – The date of the statement entry
- **Type** – The type of entry or action taking place for your Billing sub-account, for example, Payment or Billing
- **Item** – The item field further describes the type of entry or action taking place. For example, a Payment can indicate the transfer of a portion of eCheck settlement funds to your bank account.
- **Item Description** – The type of action that is occurring and the funds being deposited or transferred. For example, a Billing eCheck Minimum Processing Fee indicates that your account has been billed that fee for the month.
- **Amount** – Indicates an amount being transferred, billed, or refunded. For the Billing statement, when an amount appears in parentheses, funds are being forwarded to your bank account.
- **Account Balance** – The current dollar amount of funds in your Billing Reserve sub-account. A positive balance indicates funds owed to Authorize.net. A negative balance indicates funds owed to you.

Appendix A – Sample Payment Authorization Language

Sample authorization language for different types of eCheck transactions and payment methods.

Sample written language for an echeck transaction payment authorization

[The current date]

I, [customer's name], authorize [merchant's name] to charge my [bank account type] account on [month, day, year] for the amount of [\$X.XX] for [description of the transaction]. My account information is as follows:

Bank Name: [name of the customer's bank]

Bank Account Type: [checking, business checking, savings]

Bank ABA Routing Number: [customer's bank's ABA routing number]

Bank Account Number: [the customer's bank account number]

This payment authorization is valid and to remain in effect unless I, [customer name], notify [merchant's name] of its cancellation by sending written notice [or other method preferred by merchant].

[customer's signature] [customer's name]

Sample written language for an ARC entry notice for an echeck transaction

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction.

When we use information from your check to make an electronic fund transfer, funds can be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution.

Sample written language for a BOC entry notice for an echeck transaction

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. For inquiries, please call <customer service number>.

When we use information from your check to make an electronic fund transfer, funds can be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution.

Sample written language for an eCheck recurring transaction payment authorization

[The current date]

I, [customer's name], authorize [merchant's name] to charge my [bank account type] starting on [month, day, year] and on the [day of the month] of each month following through [month, day, year] for the amount of [\$X.XX] for [description of the transaction]. My account information is as follows:

Bank Name: [name of the customer's bank]

Bank ABA Routing Number: [customer's bank's ABA routing number]

Bank Account Type: [checking, business checking, savings]

Bank Account Number: [the customer's bank account number]

This payment authorization is valid and to remain in effect unless I, [customer name], notify [merchant's name] of its cancellation by sending written notice [or other method preferred by merchant].

[customer's signature] [customer's name]

Sample phone script for an echeck transaction payment authorization

To confirm your order, I understand that you, [customer's name] authorize [merchant's name] to charge your [bank account type] on [month, day, year] for the amount of [\$X.XX] for [description of the transaction]. The account information you've provided me is as follows:

Bank Name: [name of the customer's bank]

Bank ABA Routing Number: [customer's bank's ABA routing number]

Bank Account Type: [checking, business checking, savings]

Bank Account Number: [the customer's bank account number]

Is this information correct?

As of today's date, [month, day, year], this payment authorization is valid and to remain in effect until you, [customer name], notify [merchant's name] of its cancellation by calling [merchant's customer service number].

Sample Web language for an echeck transaction payment authorization

(Merchant's payment form includes these customer payment information as provided by the customer:

Bank Name: [name of the customer's bank]

Customer's Bank's ABA Routing Number: [customer's bank's ABA routing number]

Bank Account Type: [checking, business checking, savings]

Bank Account Number: [the customer's bank account number])

By clicking the button below, I authorize [merchant's name] to charge my [bank account type] account on [month, day, year] for the amount of [\$X.XX] for [description of the transaction].

Authorize Payment

Sample Web language for an eCheck recurring transaction payment authorization

(Merchant's payment form includes these customer payment information as provided by the customer:

Bank Name: [name of the customer's bank]

Customer's Bank's ABA Routing Number: [customer's bank's ABA routing number]

Bank Account Type: [checking, business checking, savings]

Bank Account Number: [the customer's bank account number])

By clicking the button below, I authorize [merchant's name] to charge my [bank account type] account starting on [month, day, year] and on the [day of the month] of each month following through [month, day, year] for the amount of [\$X.XX] for [description of the transaction].

Authorize Recurring Payment

Appendix B – Example Settlement, Return, and Funding Timeframe

Example timeframe showing the typical eCheck processing cycle from transaction submission to funding.

Processing Timeframe Overview

The timeframe for settlement, returns, and funding can vary depending on several variables such as the day of the week the transaction is submitted, the number of holding days established for your eCheck account, if the transaction is returned for any reason, or if processing spans a weekend, and so on

A Typical Successful Settlement Timeframe

This represents a three-day eCheck processing cycle:

Banking* Day 1	Banking Day 2	Day 3
The merchant receives an echeck transaction. At the Transaction Cut-Off Time, the transaction is picked up by the payment gateway.	The payment gateway submits the previous day's batch to the ACH Network.	This is the first day of the required funds holding period. The number of holding days varies per merchant, but for this example we'll use three days.
	The ACH Network collects funds for the transaction from the customer's bank and relays them to Authorize.net.	This is the second day of the required funds holding period.
		One of the purposes of the holding period is to wait for potential returns for transactions included in the batch. Returns can come back on this day.

Day 4	Day 5	Day 6
Third day of the required funds holding period.	The payment gateway transfers available eCheck proceeds to the merchant's bank account.	The eCheck proceeds are available in the merchant's bank account.
Returns can come back on this day.	Returns can come back on this day.	Returns can come back on this day.

*Since processing events only occur on banking days, the timeframe can be extended depending on the days of the week processing events and holding days occur. For example, if Banking Day 1 in the example given above is a Friday, Banking Day 2 would not actually occur until Monday, 2 days later, prolonging the timeframe by the same number of days.



Important: The customer typically has 60 days from the day the transaction appears on their bank statement to return or, in the case of a chargeback, dispute a charge to their bank account.

Appendix C – eCheck Return Codes

ACH return codes that can be received from customer banks when eCheck transactions are returned.

eCheck Return Codes Overview

The following table provides a description of the ACH return codes that can be received from the customer's bank in the event of a return or chargeback. You are responsible for taking any appropriate action when echeck transactions are returned.

eCheck Return Codes

C ode	Return Type	Short Title	Description	Required Action	Permissible Action
R01	Insufficient Funds (NSF)	Insufficient Funds	The customer's available balance is not sufficient to cover the dollar value of the charge.	None	Verify/obtain new account information and payment authorization from customer.
R02	Administrative Return	Account Closed	A previously active account has been closed by the customer.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.
R03	Administrative Return	No Account/ Unable to Locate Account	The account number passes digit validation but does not correspond to the individual identified in the entry, or the account number designated is not an open account and has not been open in the past.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.
R04	Administrative Return	Invalid Account Number	The account number is not valid. The transaction can have failed the digit validation	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment

			or can contain an incorrect number of digits.		authorization from the customer.
R05	Administrative Return	Unauthorized Debit to Consumer Account Using Corporate SEC Code (adjustment entries)	A CCD debit entry was transmitted to a consumer account and was not authorized by the consumer.	No further transactions can be submitted against this account number without new authorization.	Consumer can submit a written request for a credit from the RDFI within 15 days of the availability of information pertaining to the unauthorized debit.
R06	Administrative Return	Returned per ODFI Request	The ODFI has requested that the customer's bank return the echeck transaction.	Contact Customer Support to identify the reason for the return and correct as necessary.	Verify/obtain new bank account information and payment authorization from the customer.
R07	Chargeback	Authorization Revoked by Customer	The customer has revoked the authorization provided to the merchant for this particular transaction. The customer must provide his or her bank with an executed Written Statement Under Penalty of Perjury that the authorization for the charge entry has been revoked by the customer.	No further transactions can be submitted against this account number without a new authorization.	Verify/obtain new bank account information and payment authorization from the customer.
R08	Chargeback	Payment Stopped by Customer	The customer stopped payment on the transaction.	No further transactions can be submitted against this account number without a new authorization.	Verify/obtain new bank account information and payment authorization from the customer.
R09	Insufficient Funds (NSF)	Uncollected Funds	Sufficient balance exists to satisfy the amount of the transaction, but the value of transactions in	None	Verify/obtain new account information

			the process of collection (that is, uncollected checks) brings the available balance below the amount of the charge.		and payment authorization from customer.
R10	Chargeback	Customer Advises Originator is Not Known to Receiver and/or Originator is Not Authorized by Receiver to Debit Receiver's Account	<p>Receiver does not know the identity of the Originator</p> <p>Receiver has no relationship with the Originator</p> <p>Receiver has not authorized the Originator to debit the account</p> <p>For ARC and BOC entries, the signature on the source document is not authentic, valid, or authorized</p> <p>For POP entries, the signature on the written authorization is not authentic, valid, or authorized</p>	No further transactions can be submitted against this account number without a new authorization.	Verify/obtain new account information and payment authorization from customer.
R11	Chargeback	Customer Advises Entry Not in Accordance with the Terms of the Authorization	<p>The Originator and Receiver have a relationship, and an authorization to debit exists, but there is an error or defect in the payment such that the entry does not conform to the terms of the authorization. This will include:</p> <p>The debit Entry is for an amount different than authorized</p>	Correct the entry to conform to the terms of the original authorization.	Re-submit the entry within 60 days of the original transaction with the corrections.

			<p>The debit Entry was initiated for settlement earlier than authorized</p> <p>The debit Entry is part of an Incomplete Transaction</p> <p>The debit Entry was improperly reinitiated</p> <p>For ARC, BOC, or POP entries:</p> <p>The source document was ineligible</p> <p>Notice was not provided to the Receiver</p> <p>The amount of the entry was not accurately</p>		
R12	Administrative Return	Branch Sold to Another DFI	The customer's account has been sold to another depository financial institution (DFI) and the original bank no longer maintains the account and is unable to post the transaction.	No further transactions can be submitted against this account number.	Verify/obtain new bank account information and payment authorization from the customer.
R13	Administrative Return	RDFINot Qualified to Participate	The customer's bank is not qualified to participate, or the routing number provided is not valid. (This return code is not used when Authorize.net rejects a transaction for invalid routing numbers.)	No further transactions can be submitted against this account number.	Verify/obtain new bank account information and payment authorization from the customer.
R14	Administrative Return	Representative Payee Deceased	The representative payee is a person or institution authorized to accept entries on behalf of one or more other persons, such as	No further transactions can be submitted against this account number.	Verify/obtain new bank account information and payment

			legally incapacitated adults or minor children. The representative payee is either deceased or unable to continue in that capacity. The beneficiary is not deceased.		authorization from the customer.
R15	Administrative Return	Beneficiary or Account Holder Deceased	The beneficiary is deceased. The beneficiary may or cannot be the customer; or, the customer (acting in a non-representative payee capacity) is an owner of the account and is deceased.	No further transactions can be submitted against this account number.	Verify/obtain new bank account information and payment authorization from the customer.
R16	Administrative Return	Account Frozen	The funds in the account are unavailable due to specific action taken by the customer's bank or by legal action.	No further transactions can be submitted against this account number while it is frozen.	Verify/obtain new bank account information and payment authorization from the customer.
R17	Administrative Return	RDFI Cannot Process	The customer's bank cannot process the entry.	Contact Authorize.net Customer Support to identify reason for return and correct as necessary.	Verify/obtain new bank account information and payment authorization from the customer.
R20	Administrative Return	Non-Transaction Account	The transaction destined for a non-transaction account, as defined in Federal Regulation D, included either an account against which transactions are prohibited or limited, or a pass-through where the entry is for a credit union or thrift organization and Federal Regulation E descriptive requirements cannot be met.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.

R23	Administrative Return	Credit Refused by Customer	<p>One of the following possibilities:</p> <ul style="list-style-type: none"> • A minimum amount required by the customer has not been remitted. • The exact amount required has not been remitted. • The account is subject to litigation and the customer will not accept the transaction. • Acceptance of the transaction results in an overpayment. • The merchant is not known by the customer. • The customer has not authorized this refund entry to this account. 	Identify and correct the problem prior to resubmission.	Verify/obtain new bank account information and payment authorization from the customer.
R24	Administrative Return	Duplicate Entry	The customer's bank has received what appears to be a duplicate transaction, such as the trace number, date, amount and/or other data matches another transaction.	Identify and correct the problem prior to resubmission.	Verify transaction information and/or obtain new bank account information and payment authorization from the customer.
R29	Chargeback	Corporate Customer Advises Not Authorized	The corporate customer has notified his or her bank that a specific transaction has not been authorized by the customer.	No further transactions can be submitted against this	Verify/obtain new bank account information and payment

				account number without a new authorization.	authorization from the customer.
R30	Administrative Return	RDFI is Not an ACH Participant	The customer's bank does not participate in the ACH Network.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.
R31	Administrative Return	Permissible Return	The customer's bank has been notified that the ODFI agrees to accept a CCD return entry.	Contact Customer Support to identify reason for return and correct as necessary.	Verify/obtain new bank account information and payment authorization from the customer.
R32	Administrative Return	RDFI is not a Settlement RDFI	The customer's financial institution (the "RDFI") is not able to settle the entry.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.
R34	Administrative Return	RDFI Not Qualified to Participate	The customer's bank's participation has been limited by a federal or state supervisor.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.
R35	Administrative Return	Return of Improper Debit Entry	ACH charge entries are not permitted to loan accounts.	No further transactions can be submitted against this account.	Verify/obtain new bank account information and payment authorization from the customer.
R36	Administrative Return	Return of Improper Credit Entry	ACH refund entries (except for reversals) are not permitted for use with the WEB code	Correct the deficiency prior to resubmission. Refunds to consumer	Obtain proper authorization to resubmit as a PPD entry.

				accounts must be submitted as PPD entries.	
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Appendix D – eCheck NOC Codes

Notification of Change (NOC) codes that indicate required updates to customer or payment information.

eCheck NOC Codes

Code	NOC Reason	Description	Required Action
C01	Incorrect DFI account number	The customer's bank account number is incorrect.	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.
C02	Incorrect routing number	The bank's ABA routing number is incorrect.	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.
C03	Incorrect routing number and incorrect DFI account number	The bank's ABA routing number is incorrect and as a result the bank account number structure is also incorrect.	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.
C04	Incorrect individual name / receiving company name	The individual or company name associated with the bank account is incorrect.	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.
C05	Incorrect transaction code	The transaction was submitted to a certain account type but includes a conflicting account type code (checking / savings).	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.
C06	Incorrect DFI account number and incorrect transaction code	The customer's bank account number is incorrect, and the transaction should be submitted to a different account type (checking / savings).	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.
C07	Incorrect routing number, incorrect DFI account number, and incorrect transaction code	The bank's ABA routing number and the bank account number are incorrect; and the transaction was submitted to a certain account type but includes a conflicting account type code (checking / savings).	Correct all applicable records prior to submitting a subsequent echeck transaction for the same customer.

Appendix E – Example of Auxiliary On-US Field

Visual comparison showing checks with and without Auxiliary On-US Fields that affect ARC and BOC processing eligibility.

Auxiliary On-US Field Comparison

The following is a comparison of a regular check with a check that contains an Auxiliary On-US Field:

Regular Check (Eligible for ARC/BOC):

MICR Line: [Routing Number] [Account Number] [Check Number]

Check with Auxiliary On-US Field (NOT Eligible for ARC/BOC):

MICR Line: [Auxiliary Field] [Routing Number] [Account Number] [Check Number]

The Auxiliary On-US Field appears to the left of the routing number in the MICR line and makes the check ineligible for ARC and BOC processing. Checks containing this field must be processed through other means.

Comparison of 6" Check and Business Check with Auxiliary On-Us Field

JOHN DEPOSITOR
1430 ANY STREET
ANYTOWN, CA 90000

DATE _____

PAY TO THE ORDER OF: _____ \$ _____

ANYTOWN BANK
1000 BANKING WAY
ANYTOWN, CA 90000

MEMO _____

8:0000 24578: 245780 2 0000000000

↑ ROUTING ON-US AMOUNT
EPC TYPICALLY ACCOUNT AND CHECK SERIAL #

BANK DETERMINED
PROCESSING INSTRUCTIONS

PERSONAL 6" CHECK

ANYCOMPANY
1430 ANY STREET
ANYTOWN, CA 90000

DATE _____

PAY TO THE ORDER OF: _____ \$ _____

ANYTOWN BANK
1000 BANKING WAY
ANYTOWN, CA 90000

MEMO _____

85-46 44 8:0000 24578: 43-32 43-32 0000000000

AUXILIARY ON-US ↑ ROUTING/TRANSIT ON-US / ACCOUNT # / CHECK SERIAL # AMOUNT
EPC

85-46 44 43-32 43-32 POSITION 12-1

FIELDS ARE MADE UP OF POSITIONS

LONGER THAN 6"

(AT LEAST 6" WIDE; CANNOT BE MORE THAN 8 1/2")

! **Important:** Checks that contain an Auxiliary On-US Field in the MICR line cannot be used for ARC or BOC entries and must be excluded from electronic check conversion.

Appendix F – List of Check Reading Device Providers

Providers of MICR check reading devices required for ARC and BOC transaction processing.

Check Reading Device Providers

MagTek® provides a variety of check reading devices. For more information, please visit <http://www.magtek.com/>.



Note: Additional MICR device providers can be available. Contact your payment processor or search for "MICR check readers" to find other suppliers that meet your business needs.

Appendix G – Glossary of Terms

ABA Routing Number – A nine-digit identification number assigned to a financial institution or bank by the American Bankers Association (ABA).

ACH– See the entry for "Automated Clearing House (ACH) Network."

Account Late Payment Fee – The fee charged by Authorize.net for late payment for the use of Authorize.net services. This fee is charged if payment is not received on or before the first business day following the tenth (10th) day of the month.

Account Reactivation Fee – The fee charged by Authorize.net to reactivate a payment gateway account after it has been closed or terminated.

Accounts Receivable Conversion (ARC) – This echeck transaction type is a single-entry debit against a customer's checking account. ARC allows merchants to collect payments received in the mail or left in a drop-box and convert them to an electronic payment later.

Automated Clearing House (ACH) Network – The ACH Network is the group of financial institutions and similar entities within the banking industry that work together to facilitate the processing, clearing, delivery and settlement services for echeck transactions.

The ACH Network is governed by ACH Rules as promulgated by Nacha.

ACH Transaction (or Entry) – A payment transaction to or from a Receiver (the customer) processed by the ACH Network. The participants in an ACH Transaction are (1) the Originator (the merchant), (2) the Third-Party Processor, (3) the ODFI, (4) the ACH Network, (5) the RDFI, and (6) the Receiver.

ARC– See the entry for "Accounts Receivable Conversion (ARC)."

Authorization (also Payment Authorization) – A paper or electronic document or record "signed" by the customer that authorizes a merchant to submit a charge transaction against their bank account.

Automated Recurring Billing (ARB) – Authorize.net's premier recurring billing solution. Merchants can automate recurring credit card or echeck transactions for subscription customers.

Available Funds – The portion of funds in a merchant's eCheck Settlement sub-account that are no longer in the standard holding period. (The amount of available funds is equal to the eCheck Settlement statement account balance less the total dollar amount of eCheck charge transactions for batches that are still in the holding period.)

Back Office Conversion (BOC) – This echeck transaction type is a one-time charge transaction against a customer's checking account. BOC allows merchants to collect a check

written at a point of sale (checkout counter, manned bill payment location, service call location) and convert it to an ACH debit during back-office processing.

BOC– See the entry for "Back Office Conversion (BOC)."

Cash Concentration or Disbursement (CCD) – This echeck transaction type is a charge or refund against a business checking account. One-time or recurring CCD transactions are fund transfers to or from a corporate entity.

CCD– See the entry for "Cash Concentration or Disbursement (CCD)"

Chargeback – A chargeback is a type of return that occurs when a bank account holder claims they did not authorize a transaction, when the account holder and the customer are not the same person (that is, identity theft), when the authorization was not properly obtained from your customer or when your customer does not recognize a transaction.

Chargeback Fee – The fee charged by Authorize.net for each chargeback received for a transaction processed through your account. This only applies to merchants for whom the payment gateway manages batch settlement funds.

Correction– A record received by the merchant's acquiring bank that reverses chargeback bank records submitted and processed in error.

Customer – The person or corporate entity that has agreed to purchase goods or services from a merchant. In an echeck transaction, the customer is the "Receiver" and the merchant is the "Originator."

Depository Financial Institution (DFI) – An Originating Depository Financial Institution (ODFI) or Receiving Depository Financial Institution (RDFI) participating in the ACH Network; or in general terms, a bank.

DFI– See the entry for "Depository Financial Institution (DFI)"

eCheck– Authorize.net's exclusive electronic check payment solution. The eCheck service allows merchants to post charge and refund transactions to a customer's bank account.

eCheck Application Fee – The one-time fee charged to merchants for the underwriting and review of their application for the eCheck service.

eCheck Batch Fee – The fee charged by Authorize.net for each eCheck batch processed.

eCheck Cumulative Tier Discount Rate – A cumulative tier-based discount rate charged by the payment gateway that is a percentage of the total amount of each eCheck charge transaction processed during a billing cycle. Cumulative tier means that the discount fee applied depends on the total charge transaction dollar volume processed for the billing cycle.

For example, consider the following sample discount rate pricing structure:

Tier 1	\$0-\$4,999.99	Charge Transaction Dollar Volume	1.75%
Tier 2	\$5,000-\$49,999.99	Charge Transaction Dollar Volume	1.50%
Tier 3	\$50,000-\$199,999.99	Charge Transaction Dollar Volume	1.00%
Tier 4	\$200,000+	Charge Transaction Dollar Volume	0.50%

Suppose that the charge transaction dollar volume for the billing cycle is \$49,243.78. The Tier 1 discount rate of 1.75% is charged for the first \$4,999.99 ($\$4,999.99 \times 1.75\% =$

\$87.50). Once the charge transaction dollar volume for the billing cycle surpasses \$4,999.99, the per-transaction fee adjusts and the Tier 2 fee of 1.50% is applied to transactions until the transaction volume reaches \$49,999.99. In this example, \$44,243.79 falls into Tier 2 ($\$44,243.79 \times 1.50\% =$ \$663.65). So, the total amount for transaction fees would equal

\$751.15 ($\$87.50 + \663.65).

For higher charge transaction dollar volumes, the discount rate adjusts once again if the dollar volume processed surpasses 199,999.99, and so on.

eCheck Stepped Tier Per-Transaction Fee – The stepped tier-based fee charged by the payment gateway for each echeck transaction processed. Stepped tier means that the per-transaction fee applied adjusts as the number of transactions processed during a billing cycle surpasses pre-defined thresholds.

For example, consider the following sample per-transaction fee pricing structure:

Tier 1	0-1,000	Transactions	\$0.30
Tier 2	1,001-2,500	Transactions	\$0.25
Tier 3	2,501-5,000	Transactions	\$0.20
Tier 4	5,001+	Transactions	\$0.15

Suppose that 1,314 transactions are processed in one billing cycle. The Tier 1 per-transaction fee of \$.30 is charged for transactions 0-1,000 ($1,000 \times \$0.30 = \300.00). Once the transaction volume for the billing cycle surpasses 1,000, the per-transaction fee adjusts and the Tier 2 fee of \$0.25 is applied to transactions until the transaction volume reaches 2,500. In this example, only 314 transactions fall into Tier 2 ($314 \times \$0.25 = \78.50). So, the total amount for transaction fees would equal \$378.50 ($\$300.00 + \78.50).

For higher transaction volumes the per-transaction fee adjusts once again if the number of transactions processed surpasses 2,501, and so on.

eCheck Fees – The eCheck service fees includes these:

- **Application Fee** – One-time fee for the underwriting and review of the eCheck service application
- **Chargeback Fee** – The fee charged by Authorize.net for each chargeback received for an echeck transaction processed through a merchant's account
- **Discount Fee** – The percentage fee of each eCheck charge transaction processed through a merchant's account charged by Authorize.net
- **Account Late Payment Fee** – The fee charged by Authorize.net for late billing payment (charged if payment is not received by the end of the first business day following the 10th day of the month)
- **Minimum Monthly Fee** – The minimum monthly eCheck service fee charged by Authorize.net in the event that it is not exceeded by transaction processing fees (that is, per-transaction fees and discount fees) for the month
- **Not Sufficient Funds (NSF) Fee** – The fee charged by Authorize.net for each not sufficient fund notice received for an echeck transaction processed through your account
- **Per-Transaction Fee** – The fee charged by Authorize.net for each echeck transaction processed
- **Account Reactivation Fee** – The fee required by Authorize.net to reactivate closed eCheck accounts
- **Returned Item Fee** – The fee charged by Authorize.net for each returned item received for an echeck transaction processed through a merchant's account
- **Setup Fee** – One-time setup fee charged by Authorize.net

eCheck Settings – The eCheck processing settings are:

- **Funds Holding Period** – The number of days proceeds for your echeck transactions are held before being deposited to your merchant bank account
- **Monthly Processing Limit** – The maximum total dollar amount allowed per month for echeck transactions for your account
- **Per-Transaction Limit** – The maximum dollar amount allowed for a single echeck transaction for your account

eCheck Sub-Accounts – Authorize.net uses several different "sub-accounts" to manage the flow of settlement funds for your eCheck account. They are:

- **Billing Account** – Manages billing for Authorize.net services
- **Billing Reserve account** – Manages a portion of eCheck settlement funds withheld by Authorize.net for service fees
- **Reserve account (if applicable)** – Manages a percentage of eCheck settlement funds withheld by Authorize.net to cover potentially high risk transactions
- **Settlement account** – Manages all funds received from eCheck settlements

Electronic Funds Transfer Act – The federal law that governs the use and administration of electronic funds transfer services.

Fixed Reserve – Refers to a type of risk reserve (see the entry for "Risk Reserve"), which may be required to use the eCheck service depending on a merchant's risk profile.

For a Fixed Reserve, the reserve balance is established by either, (1) a receipt of a lump sum deposit from a merchant, or (2) withholding funds at a Reserve Rate established for the account from each batch settlement until the reserve balance is equal to a set Reserve Target. A Fixed Reserve can also be established by a combination of lump sum deposit and withholding of settlement funds.

Funding– Funding occurs when funds collected for echeck transactions are deposited to the merchant's bank account.

Internet-Initiated/Mobile Entries (WEB) – This echeck transaction type is a charge against a customer checking or savings account. One-time or recurring WEB transactions may be originated by the Internet or a mobile device on a wireless network. Payment authorization is also obtained from the customer by the Internet or a mobile device on a wireless network.

Merchant– The person or corporate entity that sells goods or services to a customer. For an echeck transaction, the merchant is the originator (see the entry for "Originator") and the customer is the receiver (see the entry for "Receiver").

Misc. Service Fee – Indicates a miscellaneous fee charged by Authorize.net. Details regarding the reason for the fee will be included in the statement entry.

Nacha–The trade association that establishes the rules, industry standards, and procedures governing the exchange of ACH transactions between participating banks (ODFIs and RDFIs).

Notification of Change (NOC) – Notification to a merchant from a customer's bank indicating that information provided with a specific echeck transaction was incorrect. The transaction is corrected and posted by the bank. However, the merchant must correct their records with updated information from the Notification of Change before submitting another echeck transaction for the same customer.

NOC– See the entry for "Notification of Change (NOC)."

Not Sufficient Funds (NSF) – A type of return indicating that the customer's bank account does not have sufficient funds to cover a specific echeck transaction.

NSF– See the entry for "Not Sufficient Funds (NSF)"

ODFI– See the entry for "Originating Depository Financial Institution (ODFI)"

Originating Depository Financial Institution (ODFI) – The ODFI is the bank that receives merchants' echeck transactions and submits them to the ACH Network for clearing.

Authorize.net's bank is an ODFI.

Originator – The person or corporate entity that has received authorization from a customer to refund or charge their bank account. In an echeck transaction, the merchant is the "Originator" and the customer is the "Receiver."

PPD– See the entry for "Prearranged Payment and Deposit Entry (PPD)"

Prearranged Payment and Deposit Entry or PPD – This echeck transaction type is a charge or refund against a customer checking or savings account. PPD transactions may only be originated when payment and deposit terms between the merchant and the customer are prearranged. A written authorization from the customer is required for one- time transactions and a written standing authorization is required for recurring transactions.

Preferred Industries – This term describes low-risk merchants the property and casualty insurance, utilities, government, and higher-education industries that may qualify for special pricing.

RDFI– See the entry for "Receiving Depository Financial Institution (RDFI)"

Receiving Depository Financial Institution (RDFI) – The RDFI is the customer's bank. The RDFI receives the request for echeck transaction clearing from the ACH Network.

Receiver – The person or corporate entity that has authorized a merchant to initiate a refund or charge entry to their bank account. In an echeck transaction, the customer is the "Receiver" and the merchant is the "Originator."

Regulation D – Part of the Reserve Requirements of Depository Institutions Act as established by the Federal Reserve Board. Regulation D defines the types of deposits handled by financial institutions, or banks.

Regulation E – Part of the Electronic Funds Transfer Act as established by the Federal Reserve Board. Regulation E defines electronic funds transfers.

Reserve Holding Days – The number of days risk withholdings from eCheck batch settlement funds are held in reserve before being deposited to the merchant's bank account. See the entries for "Risk Reserve" and "Rolling Reserve" for more information.

Reserve Method – Indicates the type of Risk Reserve associated with an eCheck account: Rolling or Fixed. See the entries for Risk Reserve, Rolling Reserve, and Fixed Reserve.

Reserve Rate – The percentage rate at which risk funds are withheld from each eCheck batch settlement. See the entries for "Risk Reserve" and "Rolling Reserve" for more information.

Reserve Target – The maximum dollar amount that can be held in Risk Reserve for a fixed reserve. Once risk withholdings reach the Reserve Target established for the eCheck account, a portion of available funds will be deposited to the merchant's bank account. See the entries for "Risk Reserve" and "Fixed Reserve" for more information.

Return or Returned Item – A return is an echeck transaction that could not be completely processed for reasons such as NSF, invalid account number, closed account, or other rejection reason(s) provided by the customer's bank. A chargeback is a type of return. See the entry for "Chargeback" for more information. This is different than a customer return that initiated a refund.

Reversal– Occurs when a chargeback or refund transaction has been reversed. This occurs when the merchant has produced sufficient proof that disputes the chargeback or when the customer rescinds the chargeback.

Review Failed – This status indicates transactions that have failed a risk review and will not be processed by the system.

Risk Reserve – A type of sub-account that holds a certain portion of your eCheck processing funds to cover potential costs incurred from high risk or charged back transactions. A Risk Reserve may or cannot be required to use the eCheck service, depending on the risk profile of your account.

Rolling Reserve – Refers to a type of Risk Reserve (see the entry for "Risk Reserve") for an eCheck account, which may be required depending on the risk profile of your account.

A Rolling Reserve balance is established by withholding from a merchant's available settlement funds at a Reserve Rate (percentage) and no Reserve Target is specified. Rather, each amount withheld is retained for a specified number of Reserve Holding Days and then released back to the merchant.

Settlement– Settlement occurs when Authorize.net initiates an echeck transaction through the ACH Network to request the collection of funds for a purchase from the customer's bank account.

Statement Items – Each entry on any of the payment gateway account statements is accompanied by an Item Type, including:

- **ACH Deposit** – Indicates that a deposit is being made by Authorize.net to the merchant's bank account for transaction processing proceeds, risk reserve funding, a refund due to the merchant, and so on
- **ACH Payment** – Indicates that a service payment has been charged to the merchant's bank account
- **Batch Settlement** – Indicates the net amount of a successfully settled batch
- **Billing Transfer From Reserve** – Indicates that a portion of batch settlement funds that have been held in reserve are being transferred to the Billing sub-account to be applied to billing
- **Billing Transfer From Settlement Funds** – Indicates that a portion of batch settlement funds are being transferred to the Billing sub-account from the Settlement sub-account

- Cash Payment – Indicates that cash has been provided by the merchant for service payment to Authorize.net
- Charge Transactions – Indicates the number and total dollar amount of charge transactions included in the referenced batch (applies to eCheck and IPS merchants)
- Charge Transaction Chargebacks – Indicates the number and total dollar amount of chargebacks included in the referenced batch for previously settled charge transactions (applies to eCheck and IPS merchants)
- Charge Transaction Chargeback Corrections – Indicates the number and total dollar amount of chargeback corrections included the referenced batch for previously settled charge transactions (applies only to IPS merchants)
- Charge Transaction Chargeback Reversals – Indicates the number and total dollar amount of chargeback reversals included in the referenced batch for previously settled charge transactions (applies only to IPS merchants)
- Charge Transaction Chargeback Reversal Corrections – Indicates the number and total dollar amount of chargeback reversal corrections included the referenced batch for previously settled charge transactions (applies only to IPS merchants)
- Charge Transaction Returned Items – Indicates the number and total dollar amount of returned items included the referenced batch for previously settled charge transactions (applies only to eCheck merchants)
- Credit Card Payment – Indicates that a service payment has been charged to the merchant's credit card
- Credit Card Refund – Indicates that a service refund has been applied to the merchant's credit card
- Funding Calculation – Indicates that the payment gateway has calculated funds that are available for release to a merchant's bank account
- Intra Account Transfer – Indicates that funds have been transferred between sub- accounts
- Other Adjustment – Indicates a miscellaneous statement or funds adjustment administered by Authorize.net
- Printed Check Payment – Indicates that a printed check has been provided by the merchant for service payment
- Printed Check Refund – Indicates that a printed check refund has been provided to the merchant by Authorize.net
- Refund Transactions – Indicates the number and total dollar amount of refund transactions included in the referenced batch (applies to eCheck and IPS merchants)
- Refund Transaction Chargebacks – Indicates the number and total dollar amount of chargebacks included in the referenced batch for previously settled refund transactions (applies to eCheck and IPS merchants)

- Refund Transaction Chargeback Corrections – Indicates the number and total dollar amount of chargeback corrections included in the referenced batch for previously settled refund transactions (applies only to IPS merchants)
- Refund Transaction Chargeback Reversals – Indicates the number and total dollar amount of chargeback reversals included in the referenced batch for previously settled refund transactions (applies only to IPS merchants)
- Refund Transaction Chargeback Reversal Corrections – Indicates the number and total dollar amount of chargeback reversal corrections included in the referenced batch for previously settled refund transactions (applies only to IPS merchants)
- Refund Transaction Returned Items – Indicates the number and total dollar amount of returned items included in the referenced batch for previously settled refund transactions (applies only to eCheck merchants)
- Usage Fees Transfer – Indicates that the payment gateway has identified and transferred either usage fees that need to be held for your account or excess funds that were previously held that are now available for release
- Write Off to Collections Agency – Indicates that payment owed to Authorize.net by the merchant has been sent to a collections agency
- Write Off – Transfer to Billing – Indicates that a negative balance, or amount due to Authorize.net, has been transferred from the Settlement to the Billing sub-account and subsequently sent to a collections agency
- Wire Transfer Payment – Indicates that service payment has been provided by the merchant by wire transfer
- Wire Transfer Refund – Indicates that Authorize.net has provided a refund to the merchant by wire transfer

TEL– See the entry for "Telephone-Initiated Entry (TEL)"

Telephone-Initiated Entry (TEL) – This echeck transaction type is a one-time or recurring charge against a customer checking or savings account. TEL transactions may only be originated when a business relationship between the merchant and the customer already exists; or if no relationship exists, only when the customer initiates the telephone call to the merchant. Payment authorization is obtained from the customer by telephone.

Transaction Cut-Off Time – The time of day that all transactions are batched and electronically picked up for processing. The default cut-off time is 3:00 PM PST. However, the transaction cut-off time may be customized by the Settings menu in the Merchant Interface.

Unsecured Electronic Network – a network, public or private, that (1) is not located entirely within a single, contiguous, physical facility, and (2) either (a) transmits data by circuits that are not dedicated to communication between two end-points for the duration of the communication, or (b) transmits data by wireless technology (excluding a communication that begins and ends

with a wireline connection, but that is routed by a telecommunications provider for a portion of the connection over a wireless system). For clarity, the Internet is an Unsecured Electronic Network, even though secure transmissions may be made over that otherwise unsecure network.

WEB- See the entry for "Internet-Initiated/Mobile Entries (WEB)"

Wireless Network – an Unsecured Electronic Network for the communication of data using wireless technology.