



**Electronic Check  
Services (ECS)  
Merchant Operating  
Guide**

November

2008

## NOTES

# Table of Contents

<b>Preface .....</b>	<b>1</b>
Features and Benefits of Your ECS Program .....	1
Technical Support.....	2
<b>The ECS Process .....</b>	<b>3</b>
Processing Options .....	3
Data Delivery and Routing .....	5
<b>Check Conversion (POP, BOC, and ARC) .....</b>	<b>7</b>
General Policies and Procedures .....	7
Decline Process for ECS Transactions .....	16
Reversals.....	17
Confidentiality and Security of Customer Information...	17
Service Level Options.....	18
Transaction Types.....	20
Returned Items .....	22
<b>ECS Image Solutions .....</b>	<b>27</b>
POS with Image.....	27
Cash Office Image (COI).....	27
Centralized/Enterprise Image (CI) .....	28
Outsourced Image (OI) .....	28
<b>Internet, Telephone, and Preauthorized Debit Transactions (WEB, TEL, and PPD) .....</b>	<b>29</b>
General Policies and Procedures .....	30
Service Level Options.....	34
Returned Items.....	35
<b>Additional Services .....</b>	<b>37</b>
Collections .....	37

NSF Service Fee .....	38
Hold Check .....	39
Check On Delivery (COD).....	40
Automated Telephone Authorization (ATA).....	42
Stop Payment (for Hold Check) .....	44
Returns Consolidation .....	45
<b>Batch Settlement .....</b>	<b>47</b>
<b>ECS Reporting Tools .....</b>	<b>49</b>
<b>Glossary .....</b>	<b>51</b>
<b>State Codes .....</b>	<b>55</b>
<b>Service Fees for Returned Items.....</b>	<b>57</b>

# Preface

As part of your Agreement with Elavon, Inc. (hereinafter referred to as "Elavon," "us," "our," or "we"), this *Electronic Check Service (ECS) Merchant Operating Guide (MOG)* is intended to be a concise, easy-to-understand instruction guide for processing ECS Transactions. You can also refer to it for assistance with returns, Chargebacks, and reports. If you have any questions concerning these services or the content of the ECS MOG, please contact us. The meanings of capitalized terms used in this ECS MOG are defined in the attached Glossary or have meanings ascribed to them in the Agreement.

## FEATURES AND BENEFITS OF YOUR ECS PROGRAM

The Elavon Electronic Check Service provides many benefits to your business as well as to your Customers, including:

- **Faster access to funds:** Qualifying Paper Checks are automatically converted to electronic payments and electronic payments are processed quickly and easily by Elavon. Funds related to items are settled with the same speed and ease as credit card deposits, typically within 24 to 48 hours.
- **Reduced costs:** ECS eliminates the time, labor, and paperwork associated with handling other forms of payment, including Paper Checks.
- **Minimized risk:** Verification and Guarantee Services (where available) reduce the risk of returned Items. Electronic payments that result in non-sufficient or uncollected funds will be automatically resubmitted, as applicable and as permitted under Laws.
- **Improved reporting:** All electronic payment activity you process is consolidated on reports and statements.
- **Single depository bank relationship:** All funds related to Items are deposited into a specified deposit account, eliminating the need for multiple banking relationships.



## TECHNICAL SUPPORT

If questions arise or you have difficulty with any aspect of ECS, please contact customer support. When contacting customer support, please provide your Merchant Identification Number (MID) and as much information as possible. Contact information is as follows:

Elavon  
7300 Chapman Highway  
Knoxville, TN 37920  
Tele: (800) 725.1243  
Fax: (865) 577.0661  
Email : ecs@elavon.com

## INTERNET

For your convenience, you can also access our online, interactive customer support and reporting system at [www.MerchantConnect.com](http://www.MerchantConnect.com). It is available 24x7.

## Chapter

## 1

## The ECS Process

ECS is the service offered by Elavon whereby Paper Checks and debits are processed electronically.

### PROCESSING OPTIONS

ECS supports several Paper Check Conversion and electronic check processing options. Specific ACH Rules apply depending on which Channel (POP, BOC, ARC, WEB, TEL, or PPD) is used to process the Transaction. Paper Checks ineligible for ACH processing are subject to alternative processing as Check Replacement Documents.

- "POP" refers to the ECS processing option for a Paper Check present/Customer present environment, and includes a "point-of-purchase entry" under the ACH Rules. In a POP Transaction, a Paper Check is passed through the POS Device for Conversion, and data is captured from the Paper Check to create an electronic payment Item. The Paper Check is marked void and then handed back to the Customer. The Customer must sign a Transaction Receipt that authorizes the POP Transaction.
- "BOC" refers to the ECS processing option for a Paper Check present/Customer present environment where Merchants can accept Paper Checks at the POS or at a manned bill payment location, and includes a "back office conversion entry" under the ACH Rules. Those Paper Checks are then converted to electronic payment Items during back office processing on check reading equipment. Customer authorization for BOC entries is obtained



through notice provided by the Merchant at the point of purchase and the Customer's proceeding with the Transaction.

- "ARC" refers to the ECS processing option for a Paper Check present/Customer not present environment, and includes an "accounts receivable conversion entry" under the ACH Rules. In an ARC Transaction, a Paper Check is passed through the POS Device for Conversion, and data is captured from the Paper Check to create an electronic payment Item. Typical ARC Transactions also include account payments, mail-order receivables, and Paper Checks delivered to a drop-box. Customer authorization for ARC entries is obtained through notice provided to the Customer in a billing statement or invoice and the Customer's proceeding to deliver a Paper Check to the Merchant.
- "WEB" refers to the ECS processing option for an internet-initiated entry (either recurring or single) processed based on a Customer's input of account information at a payment application website. Customer authorization is obtained via the internet.
- "TEL" refers to the ECS processing option in which an electronic payment Item is created based on a Customer's oral authorization captured via the telephone. A TEL entry should not be used where a standing authorization for receiving payments is in place, although the purchase may be transacted over the telephone. In addition, a TEL Transaction cannot be processed when there is no existing relationship between the Merchant and the Customer, and the Merchant initiated the telephone call.
- "PPD" refers to the ECS processing option for a "prearranged payment and deposit" entry (either recurring or single) to a Customer's account pursuant to a written authorization that is obtained from the Customer.

## DATA DELIVERY AND ROUTING

### ONLINE DELIVERY

ECS Transactions are typically processed online. The Item created from Paper Checks or Customer information inputs is processed through Elavon's network for real-time validation and Authorization. For the ECS Conversion with Guarantee Service Level and for the ECS Conversion with Verification Service Level, Paper Checks must be converted into Items at the point-of-sale and must be submitted for real-time validation and Authorization. For the ECS Conversion Only Service Level, Items may be submitted for Authorization in real-time (i.e. online) or may be submitted using the Batch method as described below.

### BATCH DELIVERY

Batch delivery is available for Merchants that have selected the Conversion Only Service Level. Businesses that choose Batch delivery typically manage and handle real-time Transaction approval internally. Transactions given approval through Merchant's internal processes are accumulated and later submitted to Elavon via a Batch delivery file.

### INFORMATION ROUTING

For POP and BOC, we may have multiple routing options for authorizing and clearing Paper Check Transactions:

- Paper Checks drawn on a Participant Drawee Bank may be Authorized by that Drawee Bank and be posted electronically to the Customer's account.
- Paper Checks drawn on a Drawee Bank that is not a participant in the Visa POS Check Service may be Authorized by our Authorizing Agent and be processed via ACH. All other Paper Checks may be processed as Check Replacement Documents routed through traditional Paper Check settlement systems.

For ARC, WEB, TEL, and PPD, Items may be Authorized by our Authorizing Agent and be posted electronically to the Customer's account. Items also are occasionally routed through one of our other service providers.



**NOTES**

## Chapter

**2**

# Check Conversion (POP, BOC, and ARC)

This chapter provides an overview of the general policies and procedures that each Merchant should follow when utilizing ECS for POP, BOC, and ARC Transactions. It is important to develop consistent policies and procedures throughout your business to ensure compliance with all applicable regulations and Laws. Before you begin accepting Paper Checks for ECS, you and your employees should become familiar with the information in this chapter.

## **A. GENERAL POLICIES AND PROCEDURES**

### **1. PAPER CHECKS ELIGIBLE FOR ECS**

- a.** The following types of Paper Checks are eligible for ECS using any approved Check Reader/Imager:
- Consumer checks;
  - Business checks;
  - Corporate checks; and
  - Convenience checks.



- b. The following additional Paper Checks are eligible for ECS only by using a Dual-Sided Check Reader/Imager. These Paper Checks are ECS eligible, but if Merchant elects the ECS Conversion with Guarantee Service Level, these Paper Checks are not eligible for the Guarantee:
- Cashier's checks;
  - Federal Reserve checks;
  - Government checks, including checks drawn on a state or local government;
  - Money orders;
  - Payroll checks;
  - Third-party checks;
  - Traveler's checks;
  - U.S. Treasury checks; and
  - Federal Home Loan Bank checks.

It is Merchant's responsibility to determine the types of Paper Checks that can be submitted for ECS processing based on the type of Check Reader/Imager used.

## **2. PAPER CHECKS NOT ELIGIBLE FOR ECS**

The following types of Paper Checks are not eligible for ECS:

- Checks payable in a form other than U.S. currency;
- Gift certificates;
- Checks having invalid or fraudulent ABA Routing Numbers;
- Checks without a preprinted serial number;
- Checks that have been previously negotiated;
- Checks previously marked void or "franked" in connection with another ECS Transaction;
- Checks not encoded in magnetic ink;
- Demand drafts and third-party drafts that do not contain the Customer's signature;

- Checks drawn on an investment company as defined in the Investment Company Act of 1940; and
- Any Paper Check that does not receive an Approval response.

**Note:** An ineligible Paper Check that is nevertheless processed through ECS may be subject to Chargeback.

### **3. BEST PRACTICES**

For POP, BOC, and ARC Transactions, ECS includes the Conversion of eligible Paper Checks into electronic payments. For Merchants, this means that Paper Checks can be settled as simply as card Transactions.

In processing POP, BOC, and ARC Transactions, each Merchant should:

- Notify the Customer of your return check/EFT policy and any applicable service fees;
- Ensure POS Devices and Check Reader/Imagers are in good working order;
- Develop procedures to identify and handle Paper Checks that are ineligible for ECS, as well as Paper Checks which have failed all attempts at processing and resubmission;
- Review merchandise return policies and processes, and make sure you have a method to handle returns directly with your Customers, as ECS does not support credits or returns;
- For POP and BOC, provide ECS check acceptance at all POS locations where Paper Checks are accepted;
- If you have selected Conversion with Guarantee as your Service Level option, follow procedures to avoid processing Disqualified Checks. In addition, call customer service if a Customer attempts to make restitution to you directly instead of to the Guarantor;
- Cooperate with your Customers to avoid stop payments or Customer disputes;
- Establish procedures for the reconciliation of ECS Transactions (versus Paper Checks);



- Develop confidentiality and security procedures for the storage and destruction of Paper Checks and Paper Check images (if applicable);
- Treat all Paper Checks equally regardless of the Drawee Bank involved in the Transaction; and
- Consult with an attorney regarding your rights and responsibilities.

In processing POP, BOC, and ARC Transactions, no Merchant should:

- Process Paper Checks that have been previously used to create Items for electronic payment;
- Process Paper Checks that have been previously marked void or "franked" in connection with another ECS Transaction;
- Deposit Paper Checks using the traditional Paper Check process method once an Item has been created from the Paper Check;
- Use fraudulent means to approve a Paper Check, or support illegal activity to process a Transaction; or
- Send the Customer to checkout lanes other than those where Paper Checks are normally processed.

Credit of funds for Items submitted for processing may be delayed if such Items or the underlying Transactions are believed to be the result of fraud, are for illegal purposes, do not contain sufficient information to allow the resulting Items to be processed by or through an ECS association, or do not comply with the ECS Rules.

#### **4. POINT-OF-PURCHASE CONVERSION (POP)**

When a Customer chooses to pay for goods or services by Paper Check, it is suggested that the Merchant briefly explain the ECS process. Customers should be made aware that:

- Paper Checks will automatically be converted into Items for electronic payment.
- The Transaction Receipt, when signed by the Customer, will authorize an EFT. The Customer will be provided a copy of the Transaction Receipt as a takeaway notice.
- Paper Checks are immediately marked void and returned to the Customer.

##### ***Notice***

In order to accept Paper Checks in a POP environment, Merchant must post the notice sign provided by us, unless we have approved a custom notice sign. Merchants must post this notice sign in a prominent and conspicuous location at the point of purchase and must provide the Customer with a takeaway copy of such notice at the time of each Transaction. We recommend that Merchant incorporate the takeaway copy of the notice on the Transaction Receipt. Additionally, the notice sign must not be obscured by other information or other signs that may be located at the point of purchase.

##### ***MICR Capture***

During the initial processing of Paper Checks for creation of an Item, Merchant must use a Check Reader/Imager to capture the ABA Routing Number, account number, and serial number from the Paper Check. Manual key entry is not permitted during initial processing but is permitted for the subsequent correction of errors.

##### ***Merchant Telephone Number***

We will provide a sign to Merchant that includes a working telephone number for Customer questions or inquires regarding Items processed via ECS. Merchant must post the sign provided by us, unless we have approved a custom sign.

Merchants should follow these steps when processing POP Transactions:

1. Ensure the Paper Check is eligible for ECS.
2. Ensure the Paper Check is properly filled out.
3. Ensure that the Item submission date and Paper Check date are the same.
4. Process the Paper Check through your POS Device to create an Item.
5. Obtain Customer information and enter it when prompted by the POS Device, or write this information on the Paper Check prior to imaging (required for Conversion with Guarantee Service Level only).
6. Obtain the Customer's signature on the Transaction Receipt.
7. Compare the signed Transaction Receipt to the Customer identification to ensure they match.
8. Ensure all Paper Checks are either marked void or "franked."
9. Return the marked void or "franked" Paper Check to the Customer, along with the Customer copy of the Transaction Receipt and a takeaway copy of the notice required above.

After the Transaction has been completed, Merchant should:

- Keep a copy of the signed Transaction Receipt for two (2) years; and
- Upon request, provide a copy of the Transaction Receipt to us within ten (10) business days.

## 5. BACK OFFICE CONVERSION (BOC)

When a Customer chooses to pay for goods or services by Paper Check, it is suggested that the Merchant briefly explain the ECS process. Customers should be made aware that:

- Paper Checks may be converted into Items for electronic payment;
- The posted notice sign and the Paper Check, when completely filled out and given to Merchant by the Customer, will authorize an EFT; and
- Paper Checks will be marked void and destroyed by Merchant.

### *Notice*

In order to accept Paper Checks in a BOC environment, Merchant must post the notice sign provided by us, unless we have approved a custom notice sign. Merchants must post this notice sign in a prominent and conspicuous location at the point of purchase and must provide the Customer with a takeaway copy of such notice at the time of each Transaction. We recommend that Merchant incorporate the takeaway copy of the notice on the Transaction Receipt. Additionally, the notice sign must not be obscured by other information or other signs that may be located at the point of purchase.

### *Opt Out Requirement*

Merchants must allow Customers the opportunity to opt out of electronic check Conversion. If a Customer opts out of electronic check Conversion, the Merchant is not obligated to accept the Paper Check as payment and we recommend that Merchant request an alternative form of payment.

The opt out provision applies only to one specific Paper Check. Therefore, a Customer must opt out with the Merchant each and every time a Paper Check is presented for payment at the point of purchase.

### *MICR Capture*

During the initial processing of Paper Checks for creation of an Item, Merchant must use a Check Reader/Imager to capture the

ABA Routing Number, account number, and serial number from the Paper Check. Manual key entry is not permitted during initial processing but is permitted for the subsequent correction of errors.

***Merchant Telephone Number***

We will provide a sign to Merchant that includes a working telephone number for Customer questions or inquires regarding Items processed via ECS. Merchant must post the sign provided by us, unless we have approved a custom sign.

Merchant should follow these steps when processing BOC Transactions:

1. Ensure the Paper Check is eligible for ECS.
2. Ensure that the Paper Check is completely filled out and signed by the Customer.
3. Verify the Customer's identity.
4. Process the Paper Check through the POS Device.
5. Obtain Customer information and enter it when prompted by the POS Device, or write this information on the Paper Check prior to imaging (required for Conversion with Guarantee Service Level only).
6. Ensure all Paper Checks are either marked void or "franked."
7. Return a takeaway copy of the notice required above to the Customer.
8. Ensure that the Item submission date is no more than one (1) calendar day later than the Paper Check date.

We encourage Merchant to establish policies and procedures to destroy Paper Checks as soon as is reasonable after submission of Paper Check images to us in accordance with this ECS MOG to protect against the risk of fraud or erroneous entry of the Paper Check into the traditional Paper Check processing system.

## 6. ACCOUNTS RECEIVABLE CONVERSION (ARC)

In order to accept Paper Checks in an ARC environment, the Merchant must first provide Customers with notice that their Paper Check(s) will be converted into electronic payments. Notice is required prior to the receipt of each Paper Check that is converted. Notification can be made in any of the following ways:

- Include disclosure in a monthly statement or invoice;
- Obtain signed authorization, either on a document (such as a lease agreement) or on a separate form specifically for that purpose; or
- Post a conspicuous sign near a physical drop box.

### *Notice*

The recommended notification language is as follows:

"Each remittance of payment by check is considered authorization to convert that particular check into an electronic fund transfer. If your check is unable to be converted, it may be processed as a Check Replacement Document drawn against your account. When we use information from your check to make an electronic fund transfer, funds may 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."

These notices must be clear and readily understandable. Notices in small print and buried in the middle of unrelated information are not sufficient. Notices must not be otherwise obscured by other information or other signs that may be located at a drop box location.

### *Opt Out Requirement*

Each Merchant must establish reasonable procedures under which Customers may notify the Merchant that they choose to opt out of ARC. Merchants must honor any such opt-out requests for all Paper Checks subsequently drawn from the same account, and must remain in effect until the Customer notifies the Merchant otherwise. It is suggested that Merchants establish procedures for handling Paper Checks that are not to be converted. The EnQuire Reporting Tool can help Merchants manage processing of opt out Paper Checks.

***MICR Capture***

During the initial processing of Paper Checks for creation of an Item, Merchant must use a Check Reader/Imager to capture the ABA Routing Number, account number, and serial number from the Paper Check. Manual key entry is not permitted during initial processing but is permitted for the subsequent correction of errors.

Merchants should follow these steps when processing ARC Transactions:

1. Ensure the Paper Check is eligible for ECS.
2. Ensure the Paper Check is completely filed out and signed by the Customer.
3. Obtain Customer information and enter it when prompted by the POS Device, or write this information on the Paper Check prior to imaging (required for Conversion with Guarantee Service Level only).
4. Ensure that the Item submission date is no more than one (1) calendar day later than the date Merchant collects Paper Checks accepted by mail or at a drop box location.
5. Process the Paper Check through your Check Reader/Imager. We encourage Merchant to establish policies and procedures to destroy Paper Checks as soon as is reasonable to protect against the risk of fraud or erroneous entry of the Paper Check into the traditional Paper Check processing system.

**B. DECLINE PROCESS FOR ECS TRANSACTIONS**

It is suggested that you establish procedures for those instances in which a Paper Check receives a Decline response for an ECS Transaction. In the event of a Decline response, notify the Customer of the Decline, and refer the Customer to the notice and contact information located on the Transaction Receipt. This notice contains information about the Customer's legal rights. You should consult with an attorney regarding your legal responsibilities in connection with Decline responses. As a Merchant, you can ask for another form of payment or process the Paper Check in its paper form after an ECS Decline, but such Paper Check may not be processed under ECS. We recommend that Merchant not accept any Paper

Check that receives a Decline response.

## C. REVERSALS

ECS Transactions may be reversed electronically in certain circumstances. Reversals can occur for several reasons, including:

- Dollar amount was incorrectly entered; or
- Customer changed mind about the purchase.

To initiate a Reversal, you must:

- Use the same POS Device through which the original Transaction was processed; and
- Execute the Reversal within ten (10) minutes of the original Transaction.

**Note:** If either of these conditions is not met, you cannot reverse or void the Transaction. Instead, you must follow your return process for cash or Paper Check Transactions. ECS cannot process a credit.

## D. CONFIDENTIALITY AND SECURITY OF CUSTOMER INFORMATION

Merchants must honor the confidentiality of Customer information. No information obtained from either a Customer or us as a result of processing ECS Transactions may be disclosed to any third party. The following limited exceptions may apply:

- Information that is requested by an agent of Elavon or a third party authorized by Merchant for the purpose of assisting a Merchant in completing an ECS Transaction;
- To comply with ECS error resolution procedures;
- As needed to pursue collection activities; or
- As specified by privacy Laws.



## E. SERVICE LEVEL OPTIONS

To fit your specific needs, the following general Service Level options are available:

- (1) Conversion with Guarantee
- (2) Conversion with Verification
- (3) Conversion Only

In addition, Conversion with Verification and Conversion Only each are offered with collection service options, as described in the chapter titled "Additional Services."

### 1. ECS CONVERSION WITH GUARANTEE

In the Conversion with Guarantee Service Level, Paper Checks are converted into electronic payments and then guaranteed by a Guarantor. During processing, an *Approval* or *Decline* decision is issued based on the Customer's account status or Authorizing Agent's risk management databases. The Guarantor retains the collection risk for all eligible, qualified Paper Checks that are processed following Merchant's receipt of an Approval decision. Merchant should pursue all Guarantee claims directly against the Guarantor as neither Elavon nor Member is responsible for any amounts owed to Merchant by a Customer or the Guarantor. Only consumer, business, corporate, and convenience Paper Checks are eligible for Guarantee. Additional ECS-eligible Paper Checks (as listed in chapter 2.A.1.b) are not eligible for Guarantee, but may still be processed under this Service Level. In addition, in order to qualify for the Guarantee, the consumer, business, corporate, or convenience Paper Check must include the following information:

- The Customer's name, machine-printed on the Paper Check;
- A street address or a complete mailing address (P.O. boxes are not acceptable);
- The Customer's preprinted or handwritten ten-digit telephone number;

- A driver's license number (must be entered when prompted by the POS Device, or must be by hand-printed on the face of the Paper Check prior to scanning it through the POS Device); and
- Two-letter postal abbreviation or numeric check code of the state where the driver's license was issued (see Appendix B for a list of state codes).

If any of the following occurs, the Paper Check will be a "Disqualified Check" and the Transaction will be ineligible for the Guarantee:

- The Paper Check is not a consumer, business, corporate, or convenience Paper Check;
- The goods and/or services for which the Paper Check was provided for payment (i) were returned to the Merchant by the Customer, (ii) were not delivered by the Merchant, or (iii) were initially delivered by the Merchant on credit or under a lease;
- The Merchant received full payment, partial payment, security, or collateral in any form, from the Customer or a source other than the Customer;
- The ECS Transaction was illegal, fraudulent, void, or invalid;
- The ECS Transaction was inappropriately or erroneously processed, or the Item transmitted to the Guarantor through the POS Device was inaccurate, incomplete, or erroneous;
- The Paper Check was previously negotiated or is not eligible for ECS;
- The Paper Check was written by an employee of the Merchant in an attempt to defraud the system, or the Customer did not authorize the ECS Transaction; or
- The Customer stopped the electronic payment.

## **2. ECS CONVERSION WITH VERIFICATION**

For the Conversion with Verification Service Level, Paper Checks are converted into electronic payments and an Authorization message is routed to the Participant Drawee Bank or to an Authorizing Agent for verification that the Transaction is likely to be paid. The probability of payment is based on specific account information at the time of the request and/or third party risk management database(s). During processing, an *Approval* or



***Decline*** decision is issued based on verification of funds in the Customer's account or third party risk management database(s). ***Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding Merchant's receipt of an Approval decision.***

To verify a Transaction, a Participant Drawee Bank:

- Verifies the Customer's account exists;
- Verifies the Customer's account is open; and
- Verifies that the Customer's account has sufficient funds to fund the Transaction.

To verify a Transaction, an Authorizing Agent uses third party risk management database(s) concerning the account and the Customer.

### **3. ECS CONVERSION ONLY**

In the Conversion Only Service Level, Paper Checks are converted into electronic payments, then an Authorization message is routed to the Participant Drawee Bank or to an Authorizing Agent to authenticate that the Paper Check contains a valid ABA Routing Number and account number and is eligible for ECS. During processing, an ***Approval*** or ***Decline*** decision is issued based on these criteria. ***The Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding Merchant's receipt of an Approval decision.***

## **F. TRANSACTION TYPES**

### **PURCHASE PAYMENTS**

A purchase payment occurs when a Merchant accepts payment by a Paper Check issued for the purchase of goods or services. Each purchase payment is subject to Approval as an ECS Transaction, regardless of Service Level selected by Merchant.

### ***Approval Responses***

Approved purchase payment Transaction Receipts may vary in appearance; however, each such Transaction Receipt must contain the information required in the ECS Primer.

Where a fee for insufficient or uncollected funds may be debited, the specific fee amount must be disclosed on the Transaction Receipt.

### ***Decline Responses***

Transactions that do not receive Approval can result in either a short Decline receipt or a long Decline receipt. For additional information regarding how Approval and Decline decisions are made, refer to specific Service Level descriptions. The following is a general description of Decline responses. Please refer to the ECS Primer for more details (if applicable).

#### **Short Decline Receipt**

If a Participant Drawee Bank Declines a Transaction based on information regarding the account, a short Decline receipt will print. Merchant may not disclose to the Customer information regarding the specific reason for the Decline where a short Decline receipt prints.

A short Decline receipt may also print due to a system error or an error in MICR data capture. In this case, a short Decline receipt is printed with an error response. Errors can be caused by errors in data capture, due to faulty Merchant equipment and for a variety of other reasons. Merchant may resubmit to us for processing an Item that received a Decline response due to an error. Merchant may not resubmit an Item that has otherwise received a Decline response. If the POS Device displays any message other than ***Decline*** and a short Decline receipt prints, please attempt to reprocess the Paper Check.

#### **Long Decline Receipt**

If an Authorizing Agent Declines a Transaction, a long Decline receipt will print and will include the Authorizing Agent's contact information to allow the Customer to inquire as to why the Transaction received a Decline response. Unlike short Decline

receipts, long Decline receipts contain the reason for the Decline as well as the third-party Authorizing Agent's contact information.

## **G. RETURNED ITEMS**

### **1. RETURNED ECS TRANSACTIONS**

The Conversion of a Paper Check into an Item does not guarantee payment, even if the Transaction receives an Approval response. Transactions can still be returned for various reasons. The most common returns are due to:

- **Non-sufficient funds (NSF):** The Customer's account lacks available funds at the time the Transaction is posted;
- **Closed account:** No funds are available, as the Customer's account no longer exists;
- **Invalid account:** Account is stolen, forged, or otherwise invalid;
- **Fatal return:** There is an inability to correctly identify and format the MICR information or to process an ineligible Item; and
- **Customer dispute:** Customer has initiated a dispute after receiving an initial statement concerning Customer's account.

The following paragraphs describe how returns are processed under the various Service Level options:

#### ***Conversion with Guarantee***

Unless an ECS Transaction involved a Disqualified Check, a Merchant is protected against returns for insufficient or uncollected funds, closed accounts, or invalid accounts. The Guarantor bears the risk of these returned Transactions. However, Items resulting from a Disqualified Check are not covered under Conversion with Guarantee and may be returned to the Merchant.

#### ***Conversion Only or Conversion with Verification***

A Merchant is responsible for all ECS Transactions that are returned unpaid or are otherwise charged back to Elavon. The Merchant is notified of a return via a mailed notification. The mailed notification provides an image of the Paper Check, which

includes the Customer's contact information to assist the Merchant in the collection efforts. As an additional service, the notification will allow the Merchant to forward this return or subsequent returns to collection by simply following the procedures on the notification.

### ***Conversion with Collections or Conversion with Verification and Collections***

If the Merchant subscribes to collections, we automatically submit Transactions returned for insufficient or uncollected funds to a third-party collection agency. Merchant must enter into a separate contract with the collection agency designated to perform this service in order to collect the amount(s) owed to Merchant in connection with a returned ECS Transaction. A mailed notification informs the Merchant that the return Transaction has been placed in collections. Each month the Merchant receives a statement, and recovered dollars are remitted directly to the Merchant on dollars collected during the prior month.

### ***Reinitiation of POP, BOC, and ARC Entries***

ACH Rules restrict the number of times that any entry returned for insufficient or uncollected funds may be reinitiated to no more than two times following the return of the original entry. Paper Checks processed as Check Replacement Documents that are returned for insufficient or uncollected funds may be re-submitted up to one (1) time.

**Note:** An Item created from an ineligible Paper Check and submitted for ECS is subject to a Reversal or Chargeback.

## **2. PROCESSING CHARGEBACKS AND RETURNS**

How returns are handled depends on whether the Paper Check is from a Participant Drawee Bank or a non-Participant Drawee Bank. (See Data Delivery and Routing in Chapter 1 for a description of Participant and non-Participant Drawee Banks).

### ***Participant Drawee Banks***

Returns of Transactions originally processed through the Visa POS Check Service result from Customer disputes. When a



Customer disputes a Transaction, the Merchant receives a request for a copy of the signed Transaction Receipt or copy of the Paper Check image via fax or U.S. mail. This request details the Transaction information necessary for the Merchant to identify and retrieve the original Transaction Receipt or copy of the Paper Check image.

**Note:** In order to avoid a Chargeback, a copy of the signed Transaction Receipt or Paper Check image must be provided to the requesting party according to the ECS Rules.

#### ***Non-Participant Drawee Banks***

Returns of Transactions originally processed via ACH may be returned for a variety of reasons, including administrative errors in the original entry, insufficient or uncollected funds, and Customer disputes. Administrative and financial returns of Transactions originated from a non-Participant Drawee Bank may be processed electronically via ACH. In these cases, the Merchant is notified of returned Transactions via U.S. mail.

#### ***Check Replacement Documents***

Returned Check Replacement Documents are processed through the traditional Paper Check processing system. Merchant is notified of returned Transactions via U.S. mail.

### **3. TIPS FOR AVOIDING CHARGEBACKS AND RETURNS**

Review the following list to help eliminate returns and Chargebacks:

- Do not process Paper Checks that have been previously used for payment;
- Do not process Paper Checks previously voided or "franked" in connection with another ECS Transaction;
- For POP Transactions, obtain the Customer's signature on the Transaction Receipt and keep a copy of the signed Transaction Receipt for two (2) years;
- For ARC and BOC Transactions, retain a copy of the Paper Check image for two (2) years;
- Provide all documentation (including a copy of the Transaction Receipt) within ten (10) business days from the request;

- For Conversion with Guarantee, enter the required Customer's information or hand-write the information on the Paper Check prior to scanning the Paper Check through the Check Reader/Imager;
- Process the original Transaction only one time through the POS Device;
- Do not deposit a Paper Check in the traditional Paper Check processing method once you have processed it electronically;
- Do not use fraudulent means to approve a Paper Check or support illegal activity to process an illegal Transaction;
- Cooperate with your Customers to avoid stop payments or Customer disputes; and
- Visibly post EFT Policy and Return Check Service Fee Notice.

**NOTES**



## Chapter

**3****ECS Image Solutions**

For qualifying Merchants, we offer the following solutions to capture and transmit the images of Paper Checks to us:

**A. POS WITH IMAGE**

If Merchant elects to receive POS with Image services, Merchant shall scan the Paper Check at the POS to initiate an image transfer to us. Merchant must utilize a certified Check Reader/Imager device. Merchants accepting Paper Checks for POP and ARC Transactions must use the POS with Image service.

**B. CASH OFFICE IMAGE (COI)**

If Merchant elects to receive COI services, Merchant shall retain all Paper Checks that received an Approval response and, at the end of the day, at the end of a shift, or within one (1) calendar day from the approved Transaction date, Merchant shall scan the Paper Checks to initiate an image transfer to us. Merchant must utilize a Check Reader/Imager with stacking capabilities interfaced to Image Software or Third Party Image Software, and an integrated POS which is certified by us or our agent to be compliant with ECS specifications. Merchant must comply with any COI related guides separately provided to Merchant, which are made a part of this ECS MOG.

### **C. CENTRALIZED/ENTERPRISE IMAGE (CI)**

If Merchant elects to receive CI services, Merchant shall retain and consolidate at a Merchant centralized location all Paper Checks that received an Approval response and, at the end of the day, at the end of a shift, or within one (1) calendar day from the approved Transaction date, Merchant shall scan the Paper Checks at the centralized location to initiate an image transfer to us. Merchant must utilize a high speed imager interfaced to Image Software or Third Party Image Software, and an integrated POS which is certified by us or our agent to be compliant with ECS specifications.

### **D. OUTSOURCED IMAGE (OI)**

If Merchant elects to receive OI services, Merchant and Elavon will arrange for delivery of physical Paper Checks from Merchant locations to third party image capture locations designated by us. We or our agent will scan the Paper Checks and send the images to the ECS image archival host, which will manage the image data for the primary purposes of returns management and exception out-clearing.

## Chapter

**4**

# Internet, Telephone, and Preauthorized Debit Transactions (WEB, TEL, and PPD)

This chapter provides an overview of the general policies and procedures that each Merchant should follow when utilizing ECS for WEB, TEL, and PPD Transactions. It is important to develop consistent policies and procedures throughout your business to ensure compliance with all applicable regulations and Laws. Before you begin using ECS for WEB, TEL, and PPD Transactions, you and your employees should become familiar with the information in this chapter. These Transaction types are available only with certain ECS services including Payment Access Suite (PAS) Services, Healthcare Payment Management (HPM) Services, Payment Care Services or any other ECS services that have been approved by Elavon.



## A. GENERAL POLICIES AND PROCEDURES

### 1. INTERNET-INITIATED ENTRIES (WEB)

Internet-Initiated Entries ("WEB") are used for the origination of debit entries to a Customer's account pursuant to an authorization that is obtained from the Customer via the internet. We support a number of services that process WEB Transactions. Depending on Merchant's service, we may interface directly with the Customer in connection with the Transaction or Merchant's customer service representative may interface with the Customer. In services where we interface directly with the Customer, we will obtain and retain WEB authorizations and process resulting Transactions in accordance with the ACH Rules.

In services where Merchant interfaces directly with the Customer, Merchant must obtain and retain WEB authorizations and process resulting Transactions in accordance with ACH Rules, including, but not limited to the following:

- Merchant must obtain the Customer's authorization prior to submitting a resulting Item to us for processing. The authorization must:
  - Be in writing and signed or similarly authenticated by the Customer;
  - Be readily identifiable as an ACH debit authorization;
  - Clearly and conspicuously state its terms; and
  - Provide the Customer with a method to revoke their authorization by notifying Merchant (for recurring payments only).
- Merchant must provide a hard copy of the Customer's authorization to the Customer upon request. We recommend that Merchant prompt the Customer to print the authorization from the Merchant's website and retain a copy.
- Merchant must include the name of the Customer with each WEB entry or the Item will be rejected and returned unpaid.

- Merchant must use commercially reasonable means to verify the ABA Routing Number of the financial institution at which the Customer's account to be debited is held.
- Merchant must employ a commercially reasonable fraudulent transaction detection system to verify the identity of the Customer.
- Merchant must employ a commercially reasonable security technology that provides a level of security that, at a minimum, is equivalent to 128 bit RC4 encryption technology that begins at the first point of key entry of Customer financial information through the transmission of data to the Merchant.
- Merchant must conduct an audit at least once a year to ensure that the Customer's financial information is protected by security practices and procedures that include adequate levels of:
  - Physical security to protect against theft, tampering, or damage;
  - Personnel and access controls to protect against unauthorized access and use; and
  - Network security to ensure capture, storage, and distribution of financial information.

## **2. TELEPHONE-INITIATED ENTRIES (TEL)**

Telephone-Initiated Entries ("TEL") are used for the origination of debit entries to a Customer's account pursuant to an oral authorization that is obtained from the Customer via the telephone. We support a number of services that process TEL Transactions. Depending on Merchant's service, we may interface directly with the Customer in connection with the Transaction or Merchant's customer service representative may interface with the Customer. In services where we interface directly with the Customer, we will obtain and retain TEL authorizations and process resulting Transactions in accordance with the ACH Rules.



In services where Merchant interfaces directly with the Customer, Merchant must obtain and retain TEL authorizations and process resulting Transactions in accordance with ACH Rules, including, but not limited to:

- In authorizing a TEL Transaction, the Customer must orally acknowledge and confirm the following terms of the Transaction. Additionally, Merchant must include the following terms on the Transaction Receipt:
  - The date on or after which the Customer's account will be debited;
  - The amount of the debit entry to the Customer's account;
  - The Customer's name;
  - A telephone number that is available to the Customer and answered during normal business hours for Customer inquiries;
  - The date of the Customer's oral authorization; and
  - A statement by the Merchant that the authorization obtained from the Customer will be used to originate an ACH debit entry to the Customer's account.
- Merchant must either tape record the Customer's oral authorization or send, in advance of the settlement date of the entry, a Transaction Receipt to the Customer that confirms the oral authorization.
  - If a Merchant provides a Transaction Receipt to the Customer confirming the Customer's oral authorization, Merchant must, during the telephone call, disclose the method by which such Transaction Receipt will be provided. Merchants may mail, fax, or email (if allowed by state law) a copy of the Transaction Receipt to the Customer.
- Merchant must record and retain either (i) the oral authorization or (ii) a copy of the Transaction Receipt confirming the

Customer's authorization for 2 years.

### **3. PREARRANGED PAYMENT AND DEPOSIT ENTRIES (PPD)**

Prearranged Payment and Deposit Entries ("PPD") are used for the origination of ACH debit entries to a Customer's account pursuant to a standing (recurring) or single entry written authorization that is signed or similarly authenticated by the Customer to Merchant's customer service representative. The signed or similarly authenticated authorization by the Customer must:

- Be readily identifiable as an authorization to initiate recurring ACH debit entries to the Customer's account;
- Clearly and conspicuously state its terms; and
- Evidence both the Customer's identity and the Customer's assent to Merchant's recurring initiation of debits based on the authorization. Merchant must provide a copy of the Customer's authorization to the Customer upon request.

For recurring PPD Entries where the amount of each Transaction will vary, Merchant's authorization from Customer must comply with all of the following:

- The authorization must allow the Customer to specify a minimum and maximum Transaction amount to be charged, unless the Customer will be notified of the amount and date of each charge, as specified in the remainder of this section;
- Merchant must inform the Customer of the right to receive, at least ten (10) calendar days prior to each scheduled Transaction date, written notification of the amount and date of the next charge;
- The Customer must be provided the option to choose to receive the notification in any of the following ways:
  - For every charge;
  - When the Transaction amount does not fall within a pre-approved range of amounts specified in the authorization; or



- When the Transaction amount will differ from the most recent prior charge by more than an agreed upon amount; and
- The authorization must provide the Customer with a method to revoke the recurring Transaction authorization.

## **B. SERVICE LEVEL OPTIONS**

WEB, TEL, and PPD Transactions are eligible for Conversion with Verification and for Conversion Only. In addition, Conversion with Verification and Conversion Only are each offered with collections as an optional service, as described in the chapter titled "Additional Services."

### **1. ECS CONVERSION WITH VERIFICATION**

For the Conversion with Verification Service Level, an Authorization message is routed to an Authorizing Agent for verification that the Transaction is likely to be paid. The probability of payment is based on specific account information at the time of the request. During processing, an *Approval* or *Decline* decision is issued based on verification of funds in the Customer's account or third party risk management database(s). ***Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding receipt of an Approval decision.***

To verify a Transaction, an Authorizing Agent uses third party risk management database(s) concerning the account and the Customer.

### **2. ECS CONVERSION ONLY**

In the Conversion Only Service Level, an Authorization message is routed to the Authorizing Agent to validate that the ABA Routing Number and account number provided by the Customer are eligible for ECS. During processing, an *Approval* or *Decline* decision is issued based on these criteria. ***The Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding receipt of an Approval decision.***

## C. RETURNED ITEMS

### 1. RETURNED ECS TRANSACTIONS

An ECS Transaction submitted for Authorization does not guarantee payment. Transactions can still be returned for various reasons. The most common returns are due to:

- **Non-sufficient funds (NSF):** The Customer's account lacks available funds at the time the Transaction is posted;
- **Closed account:** No funds are available, as the Customer's account no longer exists;
- **Invalid account:** Account is stolen, forged, or otherwise invalid;
- **Fatal return:** There is an inability to process an Item further; and
- **Customer dispute:** Customer has initiated a dispute after receiving an initial statement concerning Customer's account.

#### *Reinitiation of WEB, TEL, and PPD Entries*

ACH Rules restrict the number of times that any entry returned for insufficient or uncollected funds may be reinitiated to no more than two times following the return of the original entry. Returned WEB, TEL, and PPD Transactions are automatically resubmitted up to the maximum number of times allowed by law in an attempt to clear funds.

The Merchant is notified of a return via a mailed notification. If the Merchant subscribes to automatic collections, the mailed notification informs the Merchant that the return Transaction has been placed in collections. Each month the Merchant receives a statement, and recovered dollars are remitted directly to the Merchant on dollars collected during the prior month.

### 2. TIPS FOR AVOIDING RETURNS AND CHARGEBACKS

Review the following list to help eliminate returns and Chargebacks.

- Do not use fraudulent means or support illegal activity to process an illegal Transaction; and
- Cooperate with your Customers to avoid stop payments or Customer disputes.



**NOTES**



## Chapter

**5**

## Additional Services

Additional agreements may be required for the following services:

### A. COLLECTIONS

For all ECS Transaction types and Service Levels excluding ECS Conversion with Guarantee, Merchant can request that we automatically submit NSF Transaction returns to a third-party collection agency. Merchant must enter into a separate agreement with the collection agency designated to perform this service in order to collect the amount(s) owed to Merchant in connection with an ECS Transaction. The collections service is not available for WEB, TEL, and PPD Transactions. The collections service option includes the following benefits:

- Automatic submission of returned ECS Transactions with the collections service;
- Mailed notification that indicates placement into collections;
- Monthly status statements; and
- Payment of a standard percentage of face value for a successfully collected ECS Transaction.

## B. NSF SERVICE FEE

For all Service Levels excluding ECS Conversion with Guarantee, upon the successful resubmission of a returned ECS Transaction, an NSF Transaction service fee may be collected automatically and deposited to the ECS depository account designated by Merchant. The amount of the fee will vary depending on each state's limit on the maximum amount that may be charged.

Prior to our collecting any NSF Transaction service fee on Merchant's behalf, Merchant must, at minimum, instruct us as to the amount of the fee to be collected and post appropriate conspicuous notices at the POS, as prescribed by us and applicable Laws. Merchant is fully responsible for ensuring that all NSF Transaction service fees and all related disclosures to and permissions obtained from Customers comply with applicable Laws.

Additional requirements include:

- For POP, BOC, and ARC Transactions, Merchants must obtain signed authorizations from Customers for the collection of NSF Transaction service fees.
- For WEB and PPD Transactions, Merchants must (i) obtain separate authorization for collections of NSF Transaction service fees, which may be included in Transaction authorizations, and (ii) send the Customer a notice, at least ten (10) days in advance, that his or her account will be debited an NSF Transaction service fee in the amount of \$[insert amount] on [insert date].
- For TEL Transactions, Merchant must call the Customer and obtain oral authorization that complies with the requirements applicable to TEL Transactions in this ECS MOG for collections of NSF Transaction service fees.

The ability to collect NSF Transaction service fees through ECS, and the amount of the fee, varies from state to state (*see* Appendix C). Merchant, and not Elavon, is responsible for ensuring that the amount and method of collection any such fees complies with state laws, and Merchant should consult with an attorney regarding its rights and responsibilities before selecting the NSF Transaction service fee collections option.

## C. HOLD CHECK

Hold Check is only available for Merchants who are new car dealers in the automobile industry and who subscribe to the ECS Conversion with Guarantee Service Level. Under Hold Check, Paper Checks are presented for payment in accordance with banking procedures applicable to processing Paper Checks; the Paper Checks are not processed electronically. Under Hold Check, the Guarantor bears the risk of loss if a Paper Check is returned to Merchant unpaid provided the following criteria are met with respect to each Hold Check:

- The Hold Check service may be used only in connection with Merchant's sale of new automobiles;
- Merchant must be a subscriber to the ECS Conversion with Guarantee Service Level;
- Merchant and Customer must complete a Hold Check Agreement, attached to your Agreement;
- The total amount of the deposit may not exceed twenty percent (20%) of the total purchase price (including tax) of the new automobile being purchased in the ECS Transaction. The Customer may write as many as four (4) Paper Checks in total for the deposit. Merchant must request approval from the Guarantor for the total amount of the deposit regardless of the number of Paper Checks;
- Merchant must use the ATA services for Paper Check Authorization. Merchant will be prompted to provide the Hold Check MID assigned to Merchant for use with the Hold Check service and the amount of the Paper Check(s). When the system prompts for the amount of the Paper Check, Merchant must enter or provide the total amount of all Paper Checks accepted by Merchant for the deposit by Customer. Merchant must write the ATA Approval number on each Paper Check;
- Merchant shall not deposit the Paper Check(s) for processing prior to the date(s) set forth in the Hold Check Agreement. Merchant must deposit each Paper Check within thirty (30) days from the date of sale. If any Paper Check is deposited before or after the applicable date(s) in the Hold Check Agreement, or

otherwise not in accordance with the terms of the Hold Check Agreement or this ECS MOG, then the Guarantor will not warrant payment of the Paper Check(s);

- Merchant must submit a returned Paper Check under the Guarantee to Guarantor within thirty (30) days of the date of deposit;
- The Guarantor will not warrant payment of any Paper Check under the Hold Check Service if (a) the automobile has not left Merchant's possession or has been returned to Merchant; (ii) the sale of the automobile does not close for any reason; or (iii) Merchant has not provided the applicable Hold Check Agreement and bill of sale to the Guarantor with the returned Paper Check;
- The Guarantor's maximum liability to Merchant will not exceed the lesser of the aggregate face value of the Paper Check(s) or twenty percent (20%) of the total purchase price of the automobile; and
- If the above criteria are met, the Guarantor will make payment to Merchant on any returned Paper Checks within fourteen (14) days of receipt of a returned Paper Check.

If the above criteria are not met, Guarantor may, in its sole discretion, attempt to collect from the Customer the amount of the Paper Check(s) for a period of up to sixty (60) days. If the Guarantor is not able to collect from the Customer, the original Paper Check(s) will be returned to Merchant.

A copy of the bill of sale, a copy of the Hold Check Agreement, and the Paper Check(s) must accompany each returned Paper Check sent to Guarantor in connection with the Hold Check service, otherwise the Guarantor is not obligated to warrant collection of the Paper Check(s).

#### **D. CHECK ON DELIVERY (COD)**

COD is only available for Merchants in the auto parts, lumber/building, mattress, and heating and air conditioning industries who subscribe to the ECS Conversion with Guarantee Service Level.

Enrollment in this additional service option requires the completion of a separate agreement. Under COD, a Merchant may accept a mail or telephone order for products and services to be paid for by Paper Check(s). The Guarantor bears the risk of loss if a COD Paper Check is returned provided the following criteria are met with respect to each COD Paper Check:

- Merchant must be a subscriber to the ECS Conversion with Guarantee Service Level;
- Merchant must use the ATA services, as described below, for Paper Check Authorization. Merchant will be prompted to enter the COD MID assigned to Merchant for use with COD and to provide the Customer's ABA Routing Number and account number from the Paper Check;
- If the "ship to" address is different than address on the Paper Check, both addresses must appear on the Paper Check;
- Merchant must deposit each Paper Check within seventy-two (72) hours of receipt from the Customer, and no later than seven (7) days after receipt of an Approval from the Guarantor. Each Paper Check must be dated within seven (7) days of the date on which Approval was received;
- In addition to the information required on a Paper Check for the ECS Conversion with Guarantee Service Level, the Merchant must write on the Paper Check the date the Approval is given, together with the Approval number, above the Paper Check date;
- If the Paper Check is returned unpaid by the Customer's bank, Merchant must submit the returned Paper Check to the Guarantor with any and all related invoices and shipping information. Merchant must submit a returned Paper Check under the Guarantee to Guarantor within thirty (30) days of the date of deposit;
- The Guarantor reserves the right to fulfill its obligations by recovering and returning to Merchant the merchandise for which the Paper Check was written. If the above criteria are met and the Guarantor has not recovered and returned the merchandise to Merchant, the Guarantor will make payment to Merchant on all returned Paper Checks within fourteen (14) days following

Guarantor's receipt of the Paper Checks; and

- If the above criteria are not met, Guarantor may, in its sole discretion, attempt to collect from the Customer the amount of the Paper Check for a period of up to sixty (60) days. If the Guarantor is not able to collect from the Customer, the original Paper Checks will be returned to Merchant.

## **E. AUTOMATED TELEPHONE AUTHORIZATION (ATA)**

### **1. ATA AS A BACK-UP TO ECS**

ATA may be used to Authorize POP and BOC Transactions when electronic online Authorization is unavailable. If Merchant receives a "Call Auth Center" response message indicating that a Paper Check cannot be processed electronically under ECS, Merchant will utilize the ATA service to enter data required for Authorization of the Transaction using the keying sequence provided by us. The ATA service will provide a 4-digit response code for each Authorization request, receiving Approval or Decline, and will track this Authorization internally. Merchant's personnel must write the Approval code on each Paper Check and complete the sale by entering the Approval code into the register. The register will respond with a "Hold Paper" response and complete the "franking" of the Paper Check. Transactions receiving a Decline must be handled by Merchant in accordance with Merchant's internal Paper Check acceptance criteria and the ECS Rules.

Merchant will comply with the Paper Check processing requirements set out in the TOS, this ECS MOG, and as set out below:

- Paper Checks must be deposited within seventy-two (72) hours of the Paper Check date;
- The Paper Check must be completely filled out and signed, including the driver's license number, state ID or military ID, state abbreviation, and Customer's telephone number with area code;

- Paper Checks must be machine "franked;"
- Returned Paper Checks must be received by Guarantor within thirty (30) days from the date of the Paper Check; and
- Paper Check ABA Routing Numbers and account numbers keyed for ATA must match the data on the physical Paper Check in order to comply with the Guarantee provisions.

## **2. ATA FOR HOLD CHECK AND COD**

ATA is used to authorize Paper Checks for Hold Check and COD Transactions. Merchant will utilize the ATA service to enter data required for Authorization of Paper Checks, using the keying sequence provided by us. The ATA service will provide a 4-digit response code for each Paper Check processed, indicating Approval or Decline, and will track this Authorization internally. Merchant's personnel must write the Approval code on each Paper Check.

### **a For use with Hold Check:**

- Merchant must obtain one (1) Approval and one (1) Approval number for the total amount of the deposit. The deposit amount can be up to 20% of the total sale price. Customer can write up to four (4) Paper Checks at the Merchant's location for the deposit;
- Merchant will use automated voice authorization using its Hold Check specific MID;
- Merchant must write the Approval number on all Paper Checks;
- Paper Checks must be deposited within thirty (30) days from the date of sale;
- The Paper Check must be completely filled out and signed including the driver's license number, state ID or military ID, state abbreviation, and Customer's telephone number with area code; and
- Paper Check ABA Routing Number and account

numbers keyed for ATA must match the data on the Paper Check in order for the Paper Checks to be eligible for the Guarantee.

- b** For use with COD:
- COD Paper Checks must be authorized using the Customer's ABA Routing Number and account number. When the Paper Check number is unavailable enter 400;
  - The Paper Check must be completely filled out and signed including the driver's license number, state ID or military ID, state abbreviation, and Customer's telephone number with area code; and
  - The Paper Check ABA Routing Number and account numbers keyed for ATA must match the data on the Paper Check in order to comply with the Guarantee provisions.

## **F. STOP PAYMENT (FOR HOLD CHECK)**

Stop Payment is only available for Merchants who subscribe to Hold Check and to the ECS Conversion with Guarantee Service Level. The Guarantee shall apply to Paper Checks on which payment has been stopped by a Customer due to a dispute over goods or services between the Merchant and the Customer, provided the following conditions have been met and the Paper Checks meet all terms and conditions listed in the TOS and this ECS MOG:

- The Merchant shall reasonably assist Guarantor in the collection of the Paper Checks by providing, upon request, documents such as invoices and service orders within three (3) business days of the request by Guarantor; and
- In the event that the Merchant does not assist Guarantor by providing requested documents, or if a court determines that the Customer is not liable for the payment of the Paper Check, Guarantor may re-assign the Paper Check via Chargeback to the Merchant.

## G. RETURNS CONSOLIDATION

Returns Consolidation ("RC") is used for Paper Check returns to automatically forward first-deposit return items to the designated bank of Guarantor using agreed upon business procedures:

- Guarantor will establish a funded account at a depository institution, for the purpose of consolidating returned Paper Checks deposited by Merchant under the Guarantee program. Guarantor will hold the loss on all first-deposit returned Paper Checks deposited into this account.
- Merchant will include on the back of each approved Paper Check the routing and account number and deposit wording necessary for the returned Paper Check to be forwarded to the Guarantor's designated depository institution from the Customer's bank.
- Guarantor will create an internal log number to track each returned Paper Check. Paper Checks will be reviewed to ensure they were called into the Automated Telephone Authorization (ATA), were approved and meet Guarantee provisions.
- Paper Checks that were not called in and approved through ATA will be charged back to Merchant via ACH debit to the DDA. Guarantor will notify Merchant of such Chargebacks.
- Paper Checks that do not meet the ECS or paper Guarantee provisions will not be immediately charged back to Merchant should Merchant opt to use the Courtesy Collect Program. Under the Courtesy Collect Program the Guarantor will attempt to collect on Items for up to sixty (60) days. Guarantor will provide a Courtesy Notice when an Item is placed into collections. In the event these Items are not collected, Guarantor reserves the right to charge back to Merchant via ACH debit to the DDA. Guarantor will provide Merchant with a notification with Chargeback detail prior to debit.
- Merchant may opt to have Paper Checks that were not called into Guarantor using ATA or Paper Checks that did not qualify for the Guarantee and therefore were charged back to Merchant automatically placed into collections services. Guarantor will pay Merchant 80% of any amount collected on these Items. Terms governing collections services will be under a separate

agreement.

- Merchant may receive from its depository bank return Items that did not reach the Guarantor through the Customer's bank and/or the Guarantor's designated depository institution. Guarantor will provide Warranty Claim forms and envelopes to forward paper returned Items. Upon receipt, Guarantor will credit Merchant's DDA for such Items.

## Chapter

# 6

## Batch Settlement

The total of the Transactions processed since your last settlement is called a Batch. We will credit you for the combined net total of payment Transactions (e.g., credit, debit) in your Batch. The Batch total is posted to your DDA and disclosed on your DDA statement. Batch settlement should occur on a daily basis.

To settle the daily Batch, perform the following steps:

1. Total the day's Transaction Receipts;
2. Verify that the Transaction Receipts equal the POS Device totals. You can print a report from your POS Device, as applicable, to assist you in balancing. For information on how to print a report, refer to the instructions that came with your POS Device or contact customer support. If the totals do *not* balance:
  - Compare the Transaction Receipts to the individual Transactions processed;
  - Make any necessary adjustments before transmitting or closing the Batch; and
3. Close the Batch according to the instructions for the POS Device.

**NOTES**

## Chapter

## 7

## ECS Reporting Tools

ECS reporting tools enable you to access your account and manage your ECS information using your web browser.

The following reporting tools are available to Merchants:

- **MerchantConnect:** A secure, web-based real-time reporting tool that allows Merchant to quickly and easily access your electronic payment activity including Batch, funding, and billing information.
- **Enquire Reporting Tool:** A secure, web-based reporting tool that provides Merchant with the status and disposition of Paper Checks electronically converted and presented for funding, as well as image information. The Enquire Reporting Tool can also be used to manage Customer "Opt Out" records as required for ARC processing. This service is only available in conjunction with certain POS Devices.

**Note:** For questions regarding online reporting or to sign up for this service, please contact your sales representative or customer support.

**NOTES**

**Appendix****A****Glossary**

**Accounts Receivable Conversion (ARC):** A processing option for ECS in which the Paper Check is present, but the Customer is not present.

**Approval:** An affirmative response by a Drawee Bank, processor, or Authorizing Agent, permitting the Merchant to accept and process a Transaction.

**Batch:** The total of the Transactions processed since a Merchant's last settlement.

**BOC:** A processing option for ECS in which the Paper Check is present and the Customer is present at the POS.

**Channel:** A method of payment acceptance such as in person at the POS, over the internet, over the telephone, via a customer service representative administrative site, drop box, or any other channel for acceptance of payments supported by ECS as of the effective date of the ECS MOG or in the future.

**COD:** An option under the ECS Conversion with Guarantee Service Level whereby Merchant may accept a mail order or telephone order for products or services to be paid for by Paper Check(s). The Guarantor will warrant payment of the Paper Check(s) provided certain criteria are met.

**Conversion:** A process that captures information from a Paper Check to create an Item.

**Decline:** A negative response to an Authorization request by a Drawee Bank,

processor, or Authorizing Agent that prohibits the Merchant from processing and accepting the Transaction.

**Disqualified Check:** A check which is "disqualified" from Conversion with Guarantee, as described in chapter 2(E)(1).

**Dual-Sided Check Reader/Imager:** A Check Reader/Imager that is capable of capturing an image of both the front and back of a PaperCheck.

**EnCircle®:** Elavon's third-party Authorizing Agent and service provider who is also used to convert Paper Checks from non-Participant Drawee Banks into ACH Transactions.

**Enquire Reporting Tool:** A web-based reporting tool that provides reporting and data retrieval including check images and returns management.

**Guarantee:** A process for authorizing an electronic check transaction in which the check Authorization request is routed to the Guarantor. The check Guarantor effectively buys the Item from the Merchant at a discount, with recourse, and assumes the risk of loss in most circumstances.

**Guarantor:** With respect to Transactions, the Participant Drawee Bank or the third party Authorizing Agent designated by Elavon, as appropriate, that warrants the face amount of all approved checks under the "Conversion with Guarantee" Service Level provided all warranty requirements are met by Merchant.

**Hold Check:** An option under the ECS Conversion with Guarantee Service Level whereby Merchant may accept Paper Checks from the Customer and hold the Paper Check until a specific date(s) for deposit. The Guarantor will warrant payment of the Paper Checks provided certain criteria are met.

**Image Software:** The software application provided to Merchant by Elavon pursuant to a separate user license agreement.

**Item:** With respect to POP, BOC, and ARC Transactions, means an electronic file or entry representing a Transaction that is created from the information captured by you from a Paper Check using a Check Reader/Imager and that is forwarded by you to Elavon or Member in accordance with the Agreement for ECS, and with respect to WEB, TEL, and PPD Transactions, means the electronic payment entry created from Customer payment account information.

**Merchant Terms of Service Agreement:** A contract between Elavon and a Merchant, containing their respective rights, duties, and obligations in connection with ECS.

**MID:** A Merchant identification number assigned by Elavon to Merchant.

**NSF Transaction:** An ECS Transaction which cannot be processed because sufficient funds are not available in a checking account.

**POP:** A processing option for ECS for which both the Paper Check and Customer are present.

**Point of Sale (POS):** The physical location at a Merchant site where the Customer completes a Transaction to pay for goods, services, or cash back.

**Receiving Bank:** The bank (referred to as a "Drawee Bank" under the applicable Visa rules) where a Customer maintains a checking account on which the Customer authorizes an EFT to pay for a purchase.

**Returns Consolidation:** An additional service that is used for Paper Check returns to automatically forward first-deposit return items to the designated bank of Guarantor.

**Reversal:** A Transaction used to cancel a previous EFT within ten (10) minutes of the original sale. Merchants must support Reversals of EFTs.

**Third Party Image Software:** Any software provided to Merchant by a third party or developed internally by Merchant to be used with COI or CI services that has been certified by Elavon or its agent to be compliant with Elavon's specifications.

**Verification:** A process for authorizing an EFT in which the Authorization request message is routed to the Authorizing Agent to verify the probability that the EFT will be paid. The Authorizing Agent makes an Approval or Decline recommendation, based on access to the DDA and/or third-party risk management database(s).

**Visa POS Check Service:** Visa's proprietary check clearing product which utilizes the VisaNet network to offer direct DDA access to authorize, clear and settle consumer checks drawn on banks participating in this service.

## NOTES

## Appendix

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# B

## State Codes

During some purchase transactions, you are prompted to enter the state code where the Customer's driver's license was issued. State check codes are listed in the table below.

State Code/State Name		
01 Alabama	21 Kentucky	38 North Dakota
02 Alaska	22 Louisiana	39 Ohio
04 Arizona	23 Maine	40 Oklahoma
05 Arkansas	24 Maryland	41 Oregon
06 California	25 Massachusetts	42 Pennsylvania
08 Colorado	26 Michigan	44 Rhode Island
09 Connecticut	27 Minnesota	45 South Carolina
10 Delaware	28 Mississippi	46 South Dakota
11 District of Columbia	29 Missouri	47 Tennessee
12 Florida	30 Montana	48 Texas

<b>State Code/State Name</b>		
13 Georgia	31 Nebraska	49 Utah
15 Hawaii	32 Nevada	50 Vermont
16 Idaho	33 New Hampshire	51 Virginia
17 Illinois	34 New Jersey	53 Washington
18 Indiana	35 New Mexico	54 West Virginia
19 Iowa	36 New York	55 Wisconsin
20 Kansas	37 North Carolina	56 Wyoming

## Appendix

## C

## Service Fees for Returned Items

### REVISED October 2007

It is required that service fees be posted at the point of sale in all states. ECS cannot be responsible for recent changes in the law regarding service charges and civil penalties. Merchants should check with their attorney before establishing any procedures based upon this information.

Alabama \$30	Montana \$30
Alaska \$30	Nebraska Undetermined \$25
Arizona \$25	Nevada \$25
Arkansas \$25	New Hampshire \$25
California \$25	New Jersey Undetermined \$25
Colorado* \$20 or 20%	New Mexico Undetermined \$25
Connecticut \$20	New York \$20
Delaware \$40	North Carolina \$25

District of Columbia \$25	North Dakota \$30
Florida* \$25 or 5%	Ohio* \$30 or 10%
Georgia* \$30 or 5%	Oklahoma \$25
Hawaii \$30	Oregon \$25
Idaho \$20	Pennsylvania \$25
Illinois \$25	Rhode Island \$25
Indiana \$20	South Carolina \$30
Iowa \$30	South Dakota \$40
Kansas \$30	Tennessee \$30
Kentucky \$25	Texas \$30
Louisiana* \$25 or 5%	Utah \$20
Maine \$25	Vermont Undetermined \$25
Maryland \$35	Virginia \$35
Massachusetts \$25	Washington \$40
Michigan \$25	West Virginia \$25
Minnesota \$30	Wisconsin \$25
Mississippi \$40	Wyoming \$30
Missouri \$25	

\*Fee is dollar amount or percentage of check face value, whichever is greater.

This information is not intended as legal advice and may not be used as legal advice. Any information contained in this material is subject to change and interpretations of the statutes may vary. This information should not be used to replace the advice of your legal counsel. The above information is a summary of the applicable statutes. The statutes should be reviewed in their entirety for a complete understanding of the law regarding service fees.