



VeriCheck ACH Processing Guide

What is VeriCheck?

VeriCheck is a payment service that allows merchants to accept electronic check payments for goods and services purchased via several methods, including mail order/telephone order and e-commerce web sites.

It also allows merchants to collect paper checks and convert them into electronic checks, a process called “Remote Deposit Capture.”

An electronic check works much like a regular check, only instead of using a paper check to provide their bank account, routing number and payment authorization, the customer provides the merchant with the necessary payment information through other methods, allowing the merchant to process the information electronically.

The VeriCheck service uses the Automated Clearing House (ACH) Network to process fund transfers from customer bank accounts to merchant bank accounts. The ACH Network is the group of financial institutions and similar entities within the banking industry that work together to facilitate the processing and clearing of electronic check payments. VeriCheck transactions are strictly governed by ACH processing rules established by the National Automated Clearing House Association (NACHA), in addition to the Electronic Funds Transfer Act and Regulation E, as established by the Federal Reserve Board.

Who is it Available to?

The VeriCheck service is available to VeriCheck merchants that are:

- U.S. citizens or residents that are at least 18 years of age and have been issued a social security number (SSN);
OR
- United States or foreign based corporations, (e.g., limited liability companies (LLCs), limited liability partnerships (LLPs) or sole proprietors) that only use the VeriCheck service for customers using U.S. bank accounts; **AND** that
- hold and maintain a bank account in the United States with a U.S. based financial institution.

Applying for VeriCheck

In order to use VeriCheck, you must first complete an application and go through the account underwriting process. Underwriting involves verifying a merchant’s identity and evaluating the potential financial risk and creditworthiness of that merchant. The VeriCheck service requires underwriting because VeriCheck acts as the acquirer for ACH transactions. This is different from credit card transactions, where your merchant bank account provider is the acquirer. The VeriCheck application is available in the VeriCheck website. You may also request an application from your reseller. Detailed instructions on how to complete and submit the application are included on the application.

Once the VeriCheck application and any other required documentation (e.g., financial and banking information) is submitted, VeriCheck begins the underwriting process. Upon completion of underwriting and approval by VeriCheck, you can log into the Merchant Console. Upon acceptance, your USAePay Gateway account is enabled for VeriCheck processing.



Overview of VeriCheck's Transaction Process

When initiating a VeriCheck transaction, the merchant needs to collect the following information from the customer:

- their bank's nine-digit ABA routing number
- their bank account number
- bank account type (checking, business checking or savings)
- the name on the bank account
- the transaction amount
- the check number (only required for transactions where a customer's paper check is converted to an electronic payment).

The customer can find their bank's ABA routing number and their bank account number at the bottom of one of their paper checks. This information can be given verbally (such as over the telephone for a call center transaction), or in writing, which includes electronically via the Internet (i.e., via a payment form on an e-commerce Web site). For transactions involving the actual paper check, a check reading device is used to collect the above information. For a list of check reading device providers, see VeriCheck's website or contact a VeriCheck reseller.

When accepting VeriCheck transactions from a Web site, you will need to provide your customers with an electronic check payment option on your Web site's payment form. If electronic check is selected, 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.

Note: VeriCheck validates the ABA routing number against a commercially available list of valid routing numbers. 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 Web site's payment form can be found in the developer's section on USAePay's website.

When entering a transaction via the VeriCheck Virtual Terminal (the browser-based terminal included in your Merchant Console) or creating an Automated Recurring Billing (ARB) subscription, select the "**Check**" option as the payment method.

Note: Certain VeriCheck transaction types may not be submitted via the Virtual Terminal or used to create recurring billing subscriptions. See the section of this document titled "[Types of VeriCheck Transactions](#)" for more information. You may also submit a batch of VeriCheck transactions using the Batch Uploads feature of the Merchant Console.

Note: If you are processing recurring transactions, VeriCheck's Automated Recurring Billing (ARB) solution is ideal. Simply create a subscription that includes the customer's payment information, billing amount, and a specific billing interval and duration. VeriCheck does the rest, automatically generating the subsequent recurring transactions based on the schedule you set.

Once submitted, bank account information is encrypted and sent securely via the Internet to the VeriCheck payment servers.



General limitations, liabilities, and prohibited activities

The following general limitations apply to VeriCheck:

- The VeriCheck service only processes transactions in U.S. dollars.
- Only U.S. based personal checking, savings, and business checking accounts may be used for processing VeriCheck transactions. Some banks may disallow certain types of these accounts from being used. Please contact your bank to verify the types of checking accounts from which you may process VeriCheck transactions.
- Due to the nature of the ACH Network, VeriCheck transactions are NOT authorized or processed in real time.
- Because funds are not verified in real time, VeriCheck ACH transactions are NOT guaranteed. For example, unauthorized transactions may result in returns and/or chargebacks. (For more information, see the section of this document titled "Returns.")
- Merchants must present VeriCheck transactions within one (1) business day after the date of the transaction between the customer and the merchant.
- Merchant may NOT present any VeriCheck transactions for third parties or transactions that did not originate as a transaction between a customer and the merchant. For example, you may not process a VeriCheck 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.
- VeriCheck sets your monthly processing dollar volume and per-transaction dollar amount limits based on the underwriting of your VeriCheck account.
- VeriCheck transaction proceeds are deposited to the merchant's bank account after the funds holding period established for their account by VeriCheck. The length of the funds holding period varies by merchant, but is typically 3 business days.
- The VeriCheck service may NOT be used to attempt to collect on paper checks that have been returned by the bank NSF.
- The use of the VeriCheck service as a personal bill paying service.
- Merchants must maintain an overall chargeback percentage of less than .5%

VeriCheck reserves the right to suspend or terminate our service in the event of a merchant violation. In addition, VeriCheck merchants are subject to compliance with the VeriCheck merchant agreement, which further governs the use of all VeriCheck services. For a copy of the VeriCheck Service Agreement please check our website or contact a VeriCheck representative.

Payment Authorization and Authentication for VeriCheck Transactions

In order to process VeriCheck 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) authenticate that the customer is who they say they are.

Payment authorization must be obtained in a variety of ways including via hard copy or electronically. Please see the following section titled "[Types of VeriCheck Transactions](#)" for information about specific authorization requirements for each transaction type.

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



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 (i.e., "I authorize Merchant to charge my bank account"), and that is capable of being reproduced
- Evidence of the customer's identity
- The date the authorization was granted and the effective date of the transaction (the transaction may 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

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 such as through a credit check or review of identification.

The identity authentication and payment authorization must occur simultaneously. It is not acceptable to identify a customer at the time of logging in to a Web site and then later consider that login an authentication for the purposes of authorizing an ACH transaction.

Payment Authorization for Recurring Transactions

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

- (1) the frequency of the charge,
- (2) the duration of time for which the customer's payment authorization is granted,
- (3) written language indicating that the customer may revoke the authorization by notifying the merchant as specified in the authorization.

To view samples of VeriCheck's transaction payment authorizations, see below.

In addition, the merchant is required to:

- (1) refrain from completing an initial or subsequent recurring transaction after receiving a cancellation notice from a customer; and
- (2) require a customer that elects to renew a recurring transaction (upon expiration of the original subscription) to complete and deliver a request and authorization for the renewal of such recurring transaction.

Record Retention Requirements

All authorizations must be retained by the merchant for two (2) 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 via 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 as the signed check is considered to be the customer's authorization. Additional information about record retention requirements specific to the different VeriCheck transaction type is included in the section of this document titled "[Types of VeriCheck 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.

Note: Although NACHA and VeriCheck require record retention for customer authorization records for a period of two (2) years, the statute of limitations for state laws governing transaction disputes may dictate a period anywhere between two (2) to seven (7) years. VeriCheck recommends that you familiarize yourself with these laws.

Merchants must be capable of providing a copy of such authorization to the customer upon request. In addition, VeriCheck may request the original or a copy of a customer's payment authorization at any time.

See the following sections for information about any specific record retention requirements for the different VeriCheck transaction types.

Types of VeriCheck Transactions

There are several ways that VeriCheck transactions may be originated, or received by the merchant. Each of these transaction types is governed by certain processing conditions, specific payment authorization requirements, and additional requirements as established by NACHA.

Your ability to process any or all of the VeriCheck transaction types supported by VeriCheck depends on the underwriting and risk profile of your VeriCheck account. The type of VeriCheck transactions you will need to process also depends on your business model. For example, if you are a mail order / telephone order (MOTO) merchant, you may only need to process TEL transactions, whereas if you submit transactions to the VeriCheck Payment Gateway exclusively through your e-commerce Web site, you may need the ability to process all transaction types except for TEL. VeriCheck supports the following types of ACH 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.

ARC Restrictions

ARC transactions may only be submitted if the customer's original check has been sent through the U.S. 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 may key in the transaction amount manually. ARC transactions may only be submitted to the payment gateway through a batch upload transaction or through an Application Programming Interface (API).

Check Requirements

To submit an ARC entry, the check must:

- (1) Contain a pre-printed serial number
- (2) Not contain an Auxiliary On-Us Field in the MICR line (positioned to the left of the routing number or the external processing code)



(3) Be in the amount of \$25,000 or less

(4) Be completed and signed by the customer

Checks that may not be used for ARC entries include:

- Checks that contain an Auxiliary On-Us Field in the MICR line
- Checks in an amount greater than \$25,000
- 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 (e.g. travelers checks, cashier's checks, official checks, money orders, etc)
- Checks drawn on the U.S. Treasury, a Federal Reserve Bank, or 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 medium other than U.S. currency

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 the following, 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.

The following 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 will clear their account faster than standard electronic check processing.

"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."

Storage Requirements

Once 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 may not be re-presented for payment.

Opt Out Requirement

Merchants are required to provide customers with an option to opt out of the ARC entry process. Once a customer chooses to opt out, merchants may not process any subsequent ARC entries for that account until otherwise notified by the customer.



ARC Authorization Requirements

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

Back Office Conversion (BOC)

BOC 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. Merchants do not return the check to the customer or present it to the bank for payment.

BOC Restrictions

BOC transactions may only be submitted if the original check has been provided at either the point of purchase or 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 may key in the transaction amount manually. BOC transactions may only be submitted to the payment gateway through a batch upload transaction or through an Application Programming Interface (API).

Check Requirements

To submit a BOC entry, the check must:

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

Once 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 BOC 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 may not be re-presented for payment.

Opt Out Requirement

Merchants are required to provide customers with an option to opt out of the BOC entry process.

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.

Commercial Credit or Debit (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.



CCD Restrictions

CCD transactions may only be submitted against business or corporate checking accounts.

CCD Authorization Requirements

An authorization agreement from the corporate customer is required for CCD transactions.

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.

PPD Restrictions

PPD transactions may only be submitted against personal checking and savings accounts. PPD transactions may only be originated when payment and deposit terms between the merchant and the customer are prearranged and in writing; meaning that the terms and transaction schedule are arranged between the customer and the merchant in advance of the actual date and time 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 may NOT be received via telephone or the Internet.

For recurring PPD transactions, the customer may revoke the standing payment authorization by notifying the merchant as specified in the payment authorization (e.g., calling a given telephone number, writing to a given address, etc.).

Telephone-Initiated Entry (TEL)

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

TEL Restrictions

TEL transactions may only be submitted against personal checking and savings accounts. 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.

An existing "business relationship" is defined as:

- (1) When a written agreement is in place between the merchant and the customer, or
- (2) If 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 may not be used by a merchant when there is no existing relationship between the merchant and the customer and the merchant has initiated the telephone call. Recurring billing transactions are not permitted for TEL.

TEL Authorization Requirements

Payment authorization is obtained from the customer via the telephone for each TEL transaction. Authorizations must be either:

- (1) tape recorded by the merchant, or
- (2) provided to the customer in written form prior to initiating the VeriCheck transaction.

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

- (1) a clear statement that the customer is authorizing a charge to his or her bank account
- (2) 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

Either a copy or the original audio recording of the authorization or the written notice of authorization must be retained for two (2) years from the date of the authorization.

Internet-Initiated Entry (WEB)

WEB is a charge transaction against a customer's personal checking or savings account. One-time or recurring WEB transactions may be originated via the Internet.

WEB Restrictions

WEB transactions may only be 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 via the Internet 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. It is also recommended that payment authorization language appear on the same page that collects the customer's banking account information.

The customer's payment authorization must:

- (1) be capable of display on a computer screen or other visual display that permits the customer to read and/or print it,
- (2) be readily identifiable as an authorization, and
- (3) 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, clearly stating that by clicking the customer is providing authorization, should be considered for obtaining payment authorizations associated with WEB transactions. For recurring WEB transactions, the merchant must also provide a notice that the customer may revoke the standing payment authorization by notifying the merchant as specified in the payment authorization (e.g., calling a given telephone number, writing to a given address, etc.). Merchants are required to notify customers at least 10 calendar days in advance of when the date or amount of a recurring VeriCheck transaction is changed. (Notice only needs be given once, in advance of the next recurring transaction.)

Settlement

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

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

Settlement for VeriCheck transactions occurs each business day (excluding bank holidays). VeriCheck transactions submitted to VeriCheck before your daily Transaction Cut-Off Time are sent to the bank the following business day, and the settlement time for each batch of transactions marks the beginning of the VeriCheck funds hold period. Transfer of VeriCheck proceeds to your bank account occurs on the business day after the transactions are considered collected by the system.

Note: 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 VeriCheck.

VeriCheck Settlement Statement

The VeriCheck Settlement statement manages all funds for VeriCheck transactions processed and lists the following information 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 may be 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 VeriCheck Settlement sub-account.
- **Account Balance** – The current dollar amount in your VeriCheck Settlement sub-account. A negative balance indicates funds owed to VeriCheck. A positive balance indicates funds owed to you.

You may view the VeriCheck Settlement reports and statements in the Merchant Console (only users with the appropriate permissions will be able to access this setting).

1. Click **Batches** in the main menu
2. Click **Check Manager**



Rejected Entries

VeriCheck transactions may be rejected during initial data verification checks by VeriCheck, and can be rejected for several reasons, including but not limited to:

- Invalid routing number or account number
- Fails Notification of Change check (meaning that 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 VeriCheck transaction type submitted.
- Refund rejected for exceeding the original charge
- Typically, rejected transactions are given the status of "Error."

Funding

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