



Beach Municipal Federal Credit Union

Check Acceptance and Negotiation Procedures

September 2021

TABLE OF CONTENTS

| <u>Subject</u> | <u>Page Number</u> |
|--|--------------------|
| Characteristics of a Negotiable Instrument | 3 - 4 |
| Know your Member - Proper Identification | 5 |
| Endorsements | 6 - 8 |
| Location of Endorsements | 8 -9 |
| Examples of Endorsements | 10 |
| Special Circumstances and Unacceptable Checks | 11 - 12 |
| Endorsements for Minors | 13 |
| Power of Attorney | 14 |
| Checks Payable to the Estate or Deceased Member | 15 |
| Checks Payable to a Revocable Trust | 16 |
| Negotiation of On-Us Checks | 16 - 17 |
| OFAC Screening | 18 -19 |
| Check Verification Procedures | 19 - 22 |
| Regulation CC and Funds Availability | 22 -23 |
| Membership Relationship Chart/ | Appendix A |
| True Checks Chart | Appendix B |
| Funds Availability Schedule | Appendix C |
| Deposit Hold Notice | Appendix D |
| Calculating 6 Month Average Balance/ | Appendix E |
| More than 6 Times Negative In 6 Month Period Inquiry | Appendix F |

Characteristics of a Negotiable Instrument

Negotiable instruments are normally referred to as checks. Checks, when properly completed, represent money. A check is a written order to a financial institution to pay a specific amount of money to another party.

A check is a form of contract between two parties. The laws and rules pertaining to the negotiation of checks can be found in the Uniform Commercial Code.

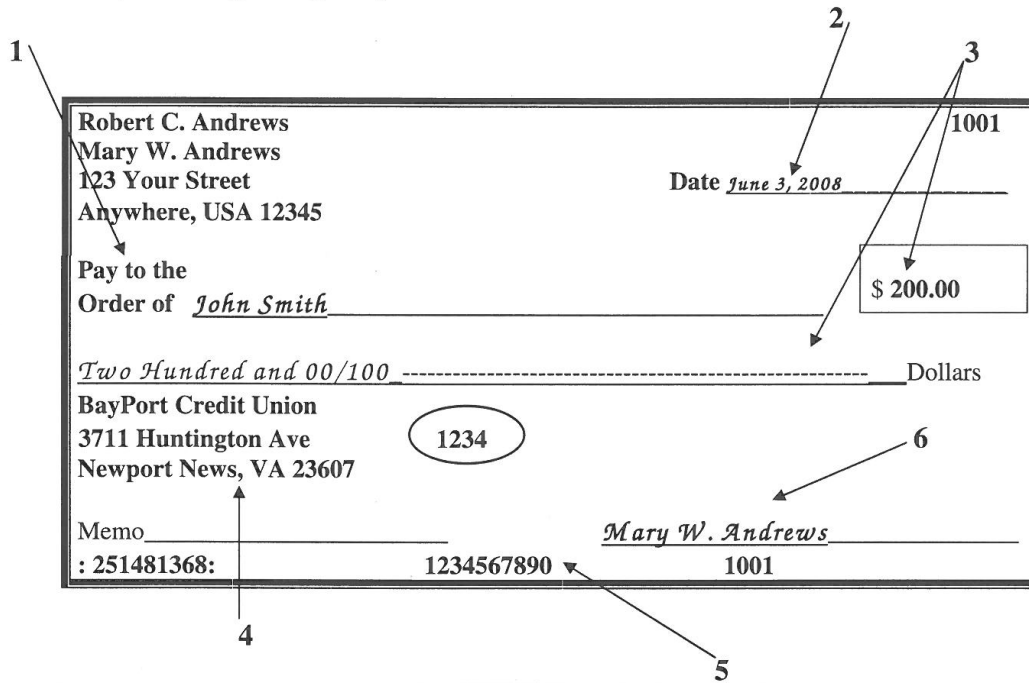
A check must have six (6) features to be a negotiable instrument and thus enforceable under the Uniform Commercial Code. The absence of any one feature makes the check nothing more than a piece of paper and should not be accepted by staff. The six required features are:

1. Words of Negotiability: The payee is the person or persons receiving the money. The payee line runs through the center section of a check and contains language such as “Pay to the Order of” or “Pay to the Bearer”.
2. Date: The date is located in the upper right section of the check. The date creates the earliest date an item may be negotiated.
 - A. Beach Municipal FCU will not accept postdated checks. A check is postdated if the check date is greater than one business date ahead of the current date.
 - B. Beach Municipal FCU will not accept stale dated checks. Stale dated checks have a date that is six months older than the current date OR the check has a specified expiration/valid through date. This does not apply to U.S. Government or State Government issued checks. These checks are valid for one year from the date of issuance.
NOTE: At the beginning of each New Year, we will accept checks written for the previous year when it appears to be a mistake due to the year changing. The employee must have the presenter initial next to the date and circle the year to acknowledge the erroneous year. After January 31st, checks with this mistake will not be accepted and the member will need to have a new check written.
 - C. If the date is blank, assume the date is current, but leave the date blank.
3. Amount of check must be specific: Checks must specify the amount in both a written and numerical form. These amounts must agree. Beach Municipal FCU will accept a check if the written and numerical forms differ by less than \$1 (one) dollar. You need to inform the person negotiating the item of the discrepancy. The person negotiating the check has the option of receiving credit for the written amount or taking the check back to whomever they received it from for a replacement. The written amount is always the legal amount that a check is to be negotiated for. If you are accepting a check with less than a \$1 discrepancy, note in pencil above the numerical amount the amount the check is being processed for. If there is any doubt as to these two amounts, contact your supervisor.

4. Name and Address of Processing Financial Institution: The processing institution is responsible for paying the check and charging their account holder. Beach Municipal FCU will only accept checks drawn on U.S. banks and only for U.S. dollars. See your supervisor if you receive any checks drawn on an international bank.

5. MICR (Magnetic Ink Character Recognition): The information to process the check is located at the bottom and designates the Federal Reserve District, paying institution and account number. For efficient processing the MICR line must have the routing number, account number, and check serial number in magnetic ink.

6. Check must be in writing and signed by the maker: The payment instructions can be printed, typed, or in written form. The maker's signature can be hand written or computer generated.



Know Your Member - Proper Identification

Beach Municipal FCU has a fiduciary responsibility to ensure the person negotiating the check is the payee. If we allow anyone other than the payee to negotiate the check, we are at risk for the amount of the check.

As an employee, you have the responsibility to make sure the proper person negotiates a check. In the following scenarios, you will need to verify a person's identification. These scenarios are:

1. Beach Municipal FCU member transacting upon their account
2. Guest member transacting upon their account at another credit union
3. Non-member presenting an On-Us item

For ID purposes, Beach Municipal FCU accepts unexpired government issued, picture ID's.

Beach Municipal FCU members

Your responsibility is to ensure you are posting to the proper account. Standard verification is by the comparing of a government issued ID (driver's license, military ID, City of Virginia Beach employment badge, etc.) to the name on the account you have accessed. If the member's ID has been scanned into Portico, you may use the electronic image to identify the member. Please note the expiration date of the ID; if it has expired, obtain an updated ID from the member and scan it into Portico. In many cases with our members, you have dealt with this person before and know them. For our members only, **if you do not know them and no ID is available**, you may verify identity by asking questions about the account or reviewing notes on the account. However, any account in a dormancy status must be verified using an unexpired government issued pictured ID and you must record the ID type, ID number and expiration on our copy of the receipt. If there is any doubt at all - contact a supervisor.

Guest members

As a Service Center outlet, we see many members from other credit unions. Service center rules are very specific - you must verify identity by viewing a government issued picture ID and you must record the ID type, ID number and expiration on our copy of the receipt. Per the Service Center rules, verbal verification of the last four digits of the social security number is required; however, Beach Municipal FCU requires the verbal social security verification be documented on the receipt. In addition verify the date of birth, address on file, and notate the verification on our copy of the receipt.

Non-members

By law, we are obligated to negotiate our own negotiable items. Our negotiable items would include our member's share drafts, home equity line of credit checks, and our official checks to anyone presenting these items in person. We require a non-expired government issued picture ID as well as the thumbprint of the person(s) negotiating the item. The thumbprint will be placed on the front of the check and the non-member's name, address, date of birth, ID type, number and expiration date will be

placed on the back of the check. If the non-member refuses to provide either their ID or their thumbprint, we will not negotiate the item.

ENDORSEMENTS

The payee(s) on a check are generally required to endorse (sign) the back of the check. This signature becomes the official confirmation of acceptance of the check and creates the request whereby the check will be negotiated - either cashed or deposited to an account. You must be absolutely certain the person endorsing the check is the person to whom the check is payable. The last party to endorse a check takes responsibility for any action (deposit) or reaction (returned check) that occurs from that point in time.

Failure of an employee to obtain or follow an endorsement places the credit union at risk for the amount of the check should a payee or maker be wronged.

There are several types of endorsements that may appear on the back of a check. Listed below is an explanation of generally used endorsements:

1. Blank Endorsement - This is the most common form of endorsement. A blank endorsement means the person to whom the check is payable has signed the back of the check exactly as their name appears on the check and no other notations are present.
2. Double Blank Endorsement - Another common form of endorsement. It means the check is payable to two (2) persons and they have both signed the back of the check with no other notations present. You must view the front of the check to determine if the item is payable to either party or both parties. When there is more than one payee on a check, the key word is "AND". If "AND" is present, then all payees must endorse the check. Please review the following examples:

*-Pay To The Order Of Jane Doe
John Doe*

Either Jane or John can endorse the check and deposit the funds to any account they own.

Pay To The Order Of Jane Doe and John Doe

Both Jane and John must endorse the check and the funds should be deposited to a joint account. If the check is payable to John Doe **OR** Jane Doe, either one of them can negotiate the check.

*Pay To The Order Of Jane Doe
John Doe*

Sue and Henry Smith

This check has three endorsement possibilities. Jane Doe or John Doe can endorse the check and receive the funds, or both Sue and Henry can endorse the check and receive the funds.

NOTE: When depositing a check made payable to two parties (AND is present on check); the deposit is usually made to a joint account of the payees. For Beach Municipal FCU member deposits, if the account is a single account, you may request to view a non-expired government issued ID to verify the non-account holder's signature. For guest member activity, you need to follow the Service Center rules and procedures.

3. Restrictive Endorsement - This endorsement restricts the further use of the check to a specific method of handling. The most common restrictive endorsement is "For Deposit Only", indicating the check must be deposited to an account of the payee(s). If the check is payable to multiple parties and marked "For Deposit Only", it **must** be deposited to an account owned by all parties on the check.

Note: Beach Municipal FCU requires the payee endorse all government checks (U.S. and State), cashier checks, certified checks, and insurance checks. We will not accept these types of checks endorsed "For Deposit Only". You should see your supervisor for any exceptions.

4. Witnessed Signature - If a member is unable to sign their name, they may place an "X" on the endorsement line. In this case, two (2) staff members must witness the signing and note the identification used (driver's license, military ID) to verify the person's identity. Note on the check the ID type, ID number and expiration date.

5. Special / Third Party Endorsements - A check payable to one or more payees may be transferred to another person by having the original payee(s) endorse the check and forward payment to the third party. An example is shown below:

The image shows a check from Beach Municipal FCU. The check is dated 3/21/2012 and is for \$200.00, payable to Jane Doe. The check is signed by John Doe. The endorsement area contains the handwritten text "Pay to the Order of Sam Snead" and a signature of Jane Doe. The check number is 123456789. The MICR line at the bottom reads: 2514832561 012345678901051.

Pay to the Order
of Sam Snead
Jane Doe
Sam Snead

This check is payable to Jane Doe who wishes to forward the check to Sam Snead. In the endorsement area, Jane Doe indicates the payment goes to Sam Snead by writing, "Pay to the Order of Sam Snead" and signs the check. Sam Snead can now endorse the check and negotiate it.

Beach Municipal FCU will accept Third Party Endorsements only when our member is the third party. Employees need to exercise good judgment in reviewing the endorsement. Depending on the member's relationship, the amount and type of the check, we may require proof of the original payee's endorsement via a copy of the ID or actual endorsement of the check in person by the first payee. If necessary, see a supervisor for approval.

In the above example, Sam Snead must be our member and must deposit the check into his account. A hold is placed for 5 business days on the entire amount of the check.

Note: US Government, State Government, Cashier's checks and insurance checks must be endorsed by the payee and may not be transferred to another party. Exceptions to this must be approved by a supervisor

6. Qualified Endorsement - This endorsement reads "Without Recourse" followed by the payee's signature. This endorsement means the payee has no obligation to make the check good should it be returned and by accepting this endorsement, the credit union waives its rights of collection against the member.

Note: Checks containing this endorsement are generally not accepted. Employees should review this issue with their supervisor.

7. Conditional Endorsement - While rare, this endorsement stipulates that a certain condition must be met before the check can be negotiated. An example would be, "Not to be cashed until yard is mowed". Since the credit union cannot verify if the condition for negotiating the check has been met, we will generally not accept these checks.

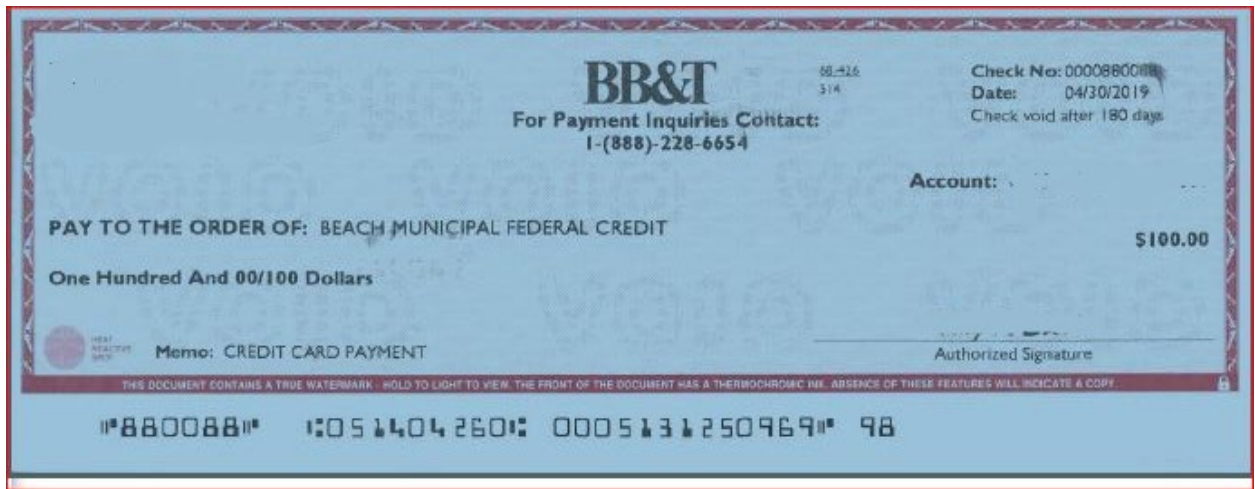
Note: Supervisors may approve acceptance upon written proof from the maker of the check that the condition has been met and the check may be negotiated.

8. eDeposits - Regulation requires that all checks deposited via a mobile service must include "For mobile deposit only" handwritten below the signature endorsement. Some checks include pre-printed boxes to indicate mobile deposit, but checking this box does not complete the endorsement requirement. Before accepting any check for deposit, you must verify that the item has not already been negotiated electronically.

You are responsible for ensuring all endorsements are properly made on the back of a check.

Location of Endorsements

Regulation CC is a Federal Reserve Board regulation that implements the Expedited Funds Availability Act as well as establishing standards for endorsements on checks, during the presentment and payment process. To comply with the regulation, the payee must endorse the check in the first 1½ inches from the top of the trailing edge of the check. The credit union then endorses below this area for payment and collection. The credit union's endorsement is automated and entered during the imaging and forwarding of the check, which in turn is sent to the Federal Reserve Bank for payment.



You are required to enter your teller number and the member's account number on the back of the check below the payee's endorsement.

Examples of Types of Endorsements

1. Blank

Mary Collins

2. Double Blank

Mary Collins
Sam Collins

3. Restrictive

For Deposit Only
Mary Collins

4. Witnessed "X"

X
1. Joe Smith
123 Pine Ct
Wash, DC 10052
2. Nancy Smith
805 Bible Rd
York, PA 10074

Tellers may write their full name and teller number

5. Special/Third Party

Pay to the Order of
John Jones
Sam Collins

6. Qualified

~~Without Recourse
Sam Collins~~

7. Conditional

~~Pay only upon completion of roofing job~~

BMFCU does not always accept Qualified or Conditional endorsements see page 8 for more information.

8. Examples of eDeposit endorsements

ENDORSE HERE
X *Jane Doe*
for mobile deposit only to MHFCU

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

MP MP

ENDORSE HERE
X

CHECK HERE IF MOBILE DEPOSIT
DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

MP MP

Special Circumstances and Unacceptable Checks

All checks must be deposited into an account of the payee(s). A single payee check may be deposited into any account owned individually or jointly by the payee. In general, multiple payee checks **should** be deposited into an account owned by all payees. However, with proper endorsements a payee may deposit the check into any account owned individually (See page 6 - 8).

Certain checks require special processing:

Tax Refund Checks

It is the policy of Beach Municipal FCU that the payee must endorse all U.S. and State tax refund checks. “*For Deposit Only*” endorsements are not acceptable without proper endorsement (signatures). Joint refund checks will be handled as follows:

1. If both parties are present, have both parties endorse the check. The check can be deposited to a single account of either party or to a joint account. If deposited to a single account, note the non-owner’s ID information (ID type, number and expiration) on the back of the check. “*For Deposit Only*” endorsements are not acceptable.
2. If only one person brings in a joint refund check, they must provide a copy of the ID for the person not present. Record this ID information (ID type, number and expiration) on the back of the check. For the person not present, verify the signature on the back of the check to the signature on the ID. The check can be deposited to a single account of either party or to a joint account.

Insurance Checks

All insurance checks must be endorsed by all payees. “*For Deposit Only*” is not acceptable without proper endorsement (signatures). If the check is payable to our member and Beach Municipal FCU, please contact your supervisor or the Collections Department before proceeding with the check deposit as this claim may effect a consumer or mortgage loan held by the credit union. If the check is payable to our member and any other party, the check may not be deposited without approval from your supervisor.

Checks Payable to Business

These checks must be deposited into the business account.

Checks Payable to Jr. or Sr.

If Jr. or Sr. is listed in payee section on the check, the same person must negotiate the check.

Example: Check is payable to John Doe Jr. and presented for payment by John Doe - this check cannot be negotiated. John Doe is not John Doe Jr.

Note: If check doesn’t list Jr. or Sr. either one could negotiate the check.

Checks Made Payable to Nicknames or Maiden Names

Member must endorse the check as the payee name is written, then endorse as name listed on account. (If you are not certain it is a nickname, seek supervisor approval.)

Example: Our member, Robert Brown presents a check made payable to Bob Brown, the check is to be endorsed twice: Bob Brown and Robert Brown.

Checks payable to “Cash” or “Bearer”

Any person presenting this check can negotiate it. Note: Use caution if it is a Beach Municipal member’s check being presented by a non-member.

Checks payable to “Mr.” or “Mrs. Member” Only

Any one bearing that same last name can negotiate the check.

Example: Mr. or Mrs. Smith - check can be negotiated by John Smith, Jim Smith, Sally Smith, Mary Smith, etc. The check maker failed to be specific so our duty is to ensure a “Smith” negotiates the check.

Substitute Checks

Substitute checks are copies of an original check and are legally valid. They may be larger than the original and are specially formatted so they can be processed as if they were original checks. The front of a substitute check should state “This is a legal copy of your check. You can use it the same way you would use the original check.”

Checks Payable to Minors - See page 13

Checks Negotiated by Power of Attorney - See page 14

Checks made payable to an Estate or a Deceased Member - See page 15

Checks payable to Trust accounts - See page 16

Unacceptable Checks

The following checks will generally not be accepted for deposit unless approved by a supervisor.

1. Postdated checks - any check with a date that is two (2) or more business day in advance of the current date.
2. Stale dated checks -checks greater than 6 months from current date or the check has a specified expiration date/valid through date.
 - *Exception: U.S Treasury and State Government checks - check date is greater than one year from current date*
3. Foreign checks not converted to U.S. dollars or a check that is not drawn on a U.S. bank.
4. Checks that have no routing and transit number
5. Conditional or qualified endorsements. (see page 8 for exceptions)
6. Checks without proper endorsements
7. Checks that do not have the account number in MICR ink

Endorsements for Minors

If a parent or legal guardian presents a check made payable to a minor under their care, the minor stamp is to be used for the endorsement. Example:

MINOR STAMP

I certify that I am the (father/mother/legal guardian) of _____ (minor's name) and the person with whom he/she resides or to whom legal custody has been granted. He/she is _____ years of age.

On the stamp, the name and age of the minor (under the age of 18) is to be completed. The parent or legal guardian will sign below the stamp. The parent or legal guardian will sign the check:

“Johnny Doe, minor, by Jane Doe, mother”

The parent or legal guardian must have their own account to which the check is deposited.

Note: *It is not necessary to use the minor stamp, if the check is deposited into the minor's account. Exception: If it is an insurance, U.S. or State Government check use the stamp.*

I certify that I am the (father or mother) of Johnny Doe (Minor's name) and the person with whom he/she resides or to whom legal custody has been granted. He/she is 5 years of age

Johnny Doe, minor, by Jane Doe, mother

Power of Attorney

A power of attorney is a written instrument by which one person (the principal) appoints another as his/her agent or attorney-in-fact and grants to him/her authority to perform certain acts. Powers of attorney may be general or specific. All powers of attorney should be prepared with a notary public acknowledgement and the notary should seal the document.

When a power of attorney is granted, the attorney-in-fact will have the power to act on behalf of the principal as specified in the instrument. The instrument may authorize the attorney-in-fact to transact business with the credit union and perform other acts relating to the principal's property.

In most instances, a power of attorney is revocable at the will of the principal. Disability of the principal does not necessarily terminate a power of attorney in Virginia if the instrument of appointment states that the power survives disability. However, death of the principal will terminate the authority granted under the power of attorney.

All checks presented must be properly endorsed by the POA as follows:

Member Name, by XX, POA
XX endorsement (POA's signature)

If a member has someone acting as a POA on their account, the notepad on the member account will have one of the following messages.

1. ***“POA NO LONGER VALID”- this means the POA has expired and you cannot proceed with any transactions performed by the POA. Please direct them to a Branch Manager or Assistant Branch Manager if member has questions.***
2. ***“POA Agent Cert expired” (a date will be listed) - this means you cannot proceed with a transaction performed by the POA. Have the member see a Branch Manager, Assistant Branch Manager, or Member Service Coordinator to fill out an updated agent certification. This does not mean the POA has expired it just means the agent certification needs to be updated.***
3. ***“POA Agent Cert Valid through” (a date will be listed) - this means as long as the date has not expired you may proceed with transactions by the POA listed on the account. Make sure when the POA is doing a transaction on behalf of the member the POA must sign in their capacity.***

Please keep in mind, if an account does not have a message that reads agent certification and worksheet on file then the member must see a Branch Manager or Assistant Branch Manager to ensure the proper paperwork is completed.

Checks Payable to the Estate or Deceased Member

When a member dies their financial transactions may continue. For example, the member may have unrepresented share drafts or may receive checks after the date of death. Financial matters are often handled by a relative or an Executor, who is a person that the deceased member (referred to as decedent) appointed to be in charge of their estate.

When a person passes, various State and Federal laws govern how the estate is to be handled depending on the value of the estate as well as whether the decedent died with or without a will (intestate). With respect to check presentment, if the deceased member's account is still open and it is not a joint account with right of survivorship, checks presented must be properly endorsed and can be deposited into the decedent's account or an estate account. *An estate account must be open when there is joint owner with the right of survivorship.*

Check payable to the Estate or Decedent and being deposited into an established Estate account or the decedent account (*without the right of survivorship*)-

The check can be endorsed by the head of the estate (known as Executor, Executrix, Administrator or Administratrix) or stamped for "Deposit Only" with the exception of Cashier's Checks, Government Checks and Insurance checks. These items will need to be endorsed by the head of the estate.

Example: The Estate of John Smith, Jane Smith, Executrix

If the Executor, Executrix, Administrator or Administratrix wishes to access the funds being deposited on behalf of the decedent, funds made be withdrawn from the decedent's account and signed in the fiduciary's capacity (see above).

**Executor/Executrix - person name in a will to manage the property of the decedent.*

**Administrator/Administratrix - person appointed by probate court to handle the distribution of property where no will was provided, or with a will that fails to name an executor.*

If no one has qualified to be Executor/Administrator for the Estate, we will accept the Virginia Small Estate Act Affidavit presented by the claimant. The check may be deposited into the decedent's account or presented into the designated successor's account for deposit using the endorsement below.

*Example: John Smith, Deceased
by Jane Smith, Claimant Virginia Small Estate Affidavit*

Checks Payable to a Revocable Trust

A revocable trust account is a deposit account owned by one or more people that designate one or more beneficiaries who will receive the deposits upon the death of the owner(s). A revocable trust can be revoked, terminated or changed at any time, at the discretion of the owner(s). Revocable trusts can be formal or informal.

Check payable to a trust and being deposited into an established trust account-the check may be endorsed by the Trustee or stamped for "Deposit Only" with the exception of Cashier's Checks, Government Checks and Insurance checks. These items will need to be endorsed by the trustee as the individual is identified in the trust document

Example: Jane Smith, Trustee, The John Smith Revocable Living Trust

Negotiation of On-Ups Checks

On-Ups checks are those checks drawn against the credit union (Member Share Draft, Credit Union official checks, and Home Equity Line of Credit checks) that are presented for payment. The routing and transit number for Beach Municipal FCU is 251483256. All non-member payees on Member Share Drafts, Beach Municipal Official checks, and HELOC checks and must be screened against OFAC (see pages 18 - 19).

Member Share Drafts

On-Ups share drafts presented for payment will not be processed through the Federal Reserve Bank. These drafts are immediately negotiated in-house and payment is made to the payee via deposit and/or cashed. The person presenting the check may be a member, a guest member, or a non-member.

Based upon the On-Ups item presented and by whom, the following activity will occur:

Member presenting another Member's share draft

1. Review both accounts for any messages.
2. Review the maker's account to verify the following:
 - a. No stop payment has been placed upon the check
 - b. The check number is in current clearing sequence
3. If the check is over \$500, verify maker's signature on check to signature on the signature card or a check cleared in excess of 30 days.
4. If an overdraft is created to clear the check, verify signature regardless of the check amount.
5. Clear the check from the member's account and deposit or cash.

Guest member presenting a Beach Municipal member share draft:

1. Review account for any messages.
2. Review the maker's account to verify the following:
 - a. No stop payment has been placed upon the check
 - b. The check number is in current clearing sequence
3. If the check is over \$100, verify maker's signature on check to signature on the signature card or a check cleared in excess of 30 days.
4. If an overdraft is created to clear the check, verify signature regardless of the check amount.
5. Clear the check from the member's account and deposit as cash.

Non-Member presenting Beach Municipal member share draft:

1. Review account for any messages.
2. Review the maker's account to verify the following:
 - a. No stop payment has been placed upon the check
 - b. The check number is in current clearing sequence
3. Regardless of amount, verify maker's signature on check to signature on the signature card or a check cleared in excess of 30 days.
4. Have non-member enter thumbprint on front of check. Write the non-member's name, address, date of birth, ID type, number and expiration date on the back of the check.
5. Clear the check from the member's account and disburse cash to the non-member.

Credit Union Official Check presented for payment

All Credit Union Official checks presented for payment will be verified to determine if it is outstanding and/or if there is a stop payment on file. Members and guest members presenting the Official Check will be given immediate availability. Non-members can cash the item provided the presenter has appropriate identification. The non-member's identification information must be recorded on the back of the check along with their thumbprint on the front of the check. The Official Check will be imaged and sent to the Federal Reserve via Branch Capture for collection.

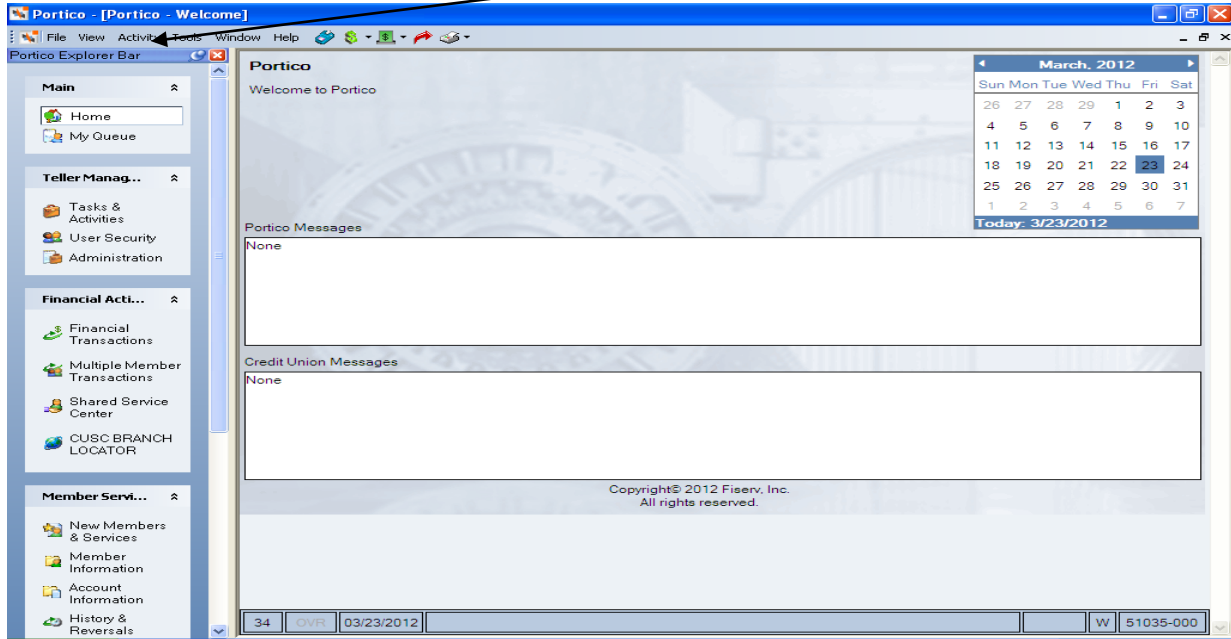
HELOC Check presented for payment

All HELOC (Home Equity Line of Credit) checks presented for payment will be verified with regard to the available line of credit remaining on the account and any stop payment flags. If the amount of the check is less than the available credit, the member or guest member transaction may be deposited for immediate credit and non-members may cash the check. The HELOC check will be imaged and sent to the Federal Reserve via Branch Capture for collection. **Note: HELOC checks cannot be written for less than \$250.00**

OFAC Screening

All non-member payees on Beach Municipal cashier's checks or member share drafts presented as an On-Us check must be screened against OFAC.

To screen a payee name against OFAC go to "ID Verification" by clicking on "Activity" located at the top of the Portico screen.



- Enter First and Last Name or Business when applicable.
- Verify OFAC is checked
- Click Submit

- View the results.

If OFAC Match passed continue to process the check. Click Close.

If OFAC Match Failed, view the highlighted fields in the reference detail to see what matched. Compare payee information to any description available in the details such as DOB, address, ID Numbers.

*If you are certain it is **not** a match, record your comments by clicking on “Add OFAC Override”. Please record date, your initials and then your comments.*

*If you feel it **may be or is** a match, contact your Supervisor, Vice President Operations, or HR Assistant for further review.*

Click Close when the OFAC failure is resolved and continue processing the check.

Check Verification Procedures

Check verifications are used to determine the risk or possibility that a check will be returned as unpaid. It is extremely important that staff follow these procedures when accepting checks for deposit to an account. Verifications are required based on the type or amount of a check.

U.S. Treasury checks

All U.S. Treasury checks, regardless of the dollar amount, will be verified using the U.S. Treasury website (<https://tcvs.fiscal.treasury.gov>). On the left side of the screen, under *Welcome* - click on *Check Verification*. Enter the check information and verify that the check was truly issued by the U.S. Treasury. **Note:** this site is not available on Saturdays and it is believed the site will be discontinued once the U.S. Treasury converts all payments to direct deposit or a debit card. If the check was issued less than 24 hours of the date of issuance, no information may be available on the Treasury’s website. Therefore, verify the check using TrueChecks and place the check on hold (2 business days) until the check can be verified by your supervisor.

U.S. Postal Money Orders

All U.S. Postal Money Orders, regardless of the dollar amount, will be verified by calling 1-866-459-7822. The system will verify money orders issued more than 48 hours ago and not older than 90 days. If the money order cannot be verified by this system, employees will ensure the following security features are present and place the money on hold for 2 business days:

- Ben Franklin images (watermarks) are repeated on the left side, top, and bottom.
- A dark security thread runs top to bottom to the right of the Franklin watermark, with the tiny letters “USPS” facing backward and forward.
- Denomination is in two locations, a discoloration of the denomination indicates that the number has been altered.

All other types of checks

For all other check deposits, we use the TrueChecks software program. TrueChecks is an easy to use web application that delivers powerful real-time check information at the time of presentment. TrueChecks delivers real-time responses on counterfeit, NSF, Closed Account, Duplicate, and many other fraudulent items. The TrueChecks

database is comprised of data from financial institutions, processors, and optional third party sources. Verifications are required on the following:

- all counter checks
- all checks where the member is moving funds from another institution
- all checks over \$225 being deposited with no hold
- all checks over \$1,000 with a hold
- any item that seems suspicious
- all payments over \$225 to lines of credit (credit card, HELOC, OD and PL)

TrueChecks Procedures

Step One - Access the system

TrueChecks is accessed via the website at <https://portal.advancedfraudsolutions.com> Click on the login button in the upper right portion of the screen. Enter your user ID and password - click login. Click on the TrueChecks button on the top left portion of the screen beside the home button.

Step Two - enter the check data

To verify a check, click on the appropriate type of check and enter:

- routing and transit number -system will respond with the financial institution assigned to the R&T number. Be sure it matches the institution listed on the check. Remember some checks may have the name of an institution that was recently bought or merged into another financial institution. If you are unsure see your supervisor.
- account number, check number, amount and maker (optional) in the appropriate blocks

Click the search button.

Step Three - view results

The screen will display three sections:

1. Recommended Action - based on information in the TrueChecks Checks database, you will see a suggested action for this check:
 - a. No Recommendation - there is no negative information on file regarding this account; proceed with the deposit using the Funds Availability Schedule. **Checks less than \$1000 - with a negative balance and/or delinquent loan(s), place a 5 day hold on entire amount. However, checks greater than \$1,000 with a poor standing status, place a 7 day hold on the entire amount on the check. Regardless of the amount of the check the Funds Availability Schedule may be used if the MSR has constructive knowledge the member receives the check on a regular basis.**
 - b. Deny - based on information on file regarding this account, the check should be denied for deposit.
 - c. Hold - based on information on file regarding this account, regardless of the check type, the check should be held for 5 business days, **less \$225.00**

- immediate credit.* Checks greater than \$5,525 should be held for 7 business days, less \$225 immediate credit. For line of credit payments, consult your supervisor to determine if any action should be taken to temporary decrease the available credit limit. *Regardless of the amount of the check the Funds Availability Schedule may be used if the MSR has constructive knowledge the member receives the check on a regular basis.*
- d. Extended Hold - based on information on file regarding this account, regardless of the check type, the entire amount should be held for 5 business days.* Checks greater than \$5,525 should be held for 7 business days. For line of credit payments, consult your supervisor to determine if any action should be taken to temporary decrease the available credit limit. *Regardless of the amount of the check the Funds Availability Schedule may be used if the MSR has constructive knowledge the member receives the check on a regular basis.*

Note

**For accounts in poor standing place the entire amount on hold for 7 days. The Funds Availability Schedule may be used if the MSR has constructive knowledge the member receives the check on a regular basis.*

**New accounts place a 9 day hold on the entire amount unless another account exists. The Funds Availability Schedule may be used if the MSR has constructive knowledge the member receives the check on a regular basis.*

An account in poor standing is defined as an account that has been overdrawn more than 6 times in the last 6 months or currently has a negative balance or past due on a loan payment.

- Any exceptions to “b” must be approved by a supervisor by them initialing the check visibly in the upper left hand corner or by sending a remote override to a supervisor for approval.
- Any exceptions to “c” and “d” must qualify using the Member Relationship Chart or must be approved by a supervisor by them initialing the check visibly in the upper left hand corner or by sending a remote override to a supervisor for approval.

Note: Employees with less than 1 year of service cannot make a decision based on the Member Relationship Chart criteria.

2. TrueChecks Check Results - this area will explain the reason for the recommended action. If you click the plus sign, an image will appear of the check previously reported. Employees should compare this image to the check being presented for further consideration of denying the check or the proper hold to enforce.
3. Depositor Results - we are not using this application - no information should be displayed.

Step Four - indicate action taken with check

You must click on one of the three buttons on the bottom of the screen indicating what action was taken with regard to the depositing of this check:

- a) Accept - check was accepted under normal deposit and hold procedures
- b) Hold - check accepted less \$225 immediate credit, check was accepted with no funds given immediate credit, or for an extended hold timeframe
- c) Deny - check was denied, not taken for deposit.

You will be asked to “Confirm” your action. When that is done, screen returns to search page. **Be sure to provide the member with the Deposit Hold Notice if the action taken is Hold.**

What to do with check(s) that we deny for deposit:

Closed Account: return check to member/guest member

Counterfeit check: Retain the check if possible. If the member does not wish to part with check, make a copy. Send the original check or copy to the Vice President of Operations. Along with the check or copy attach any details or paperwork (letter/paystub) the payee was provided. Depending on the check amount, we may need to file data with respective agencies, please ensure that all account data is verified.

You should remember to log out when finishing for the day. Click the drop down button beside your name and click on Log Out.

Regulation CC and Funds Availability

Regulation CC, issued by the Federal Reserve Board, also addresses the timeliness with which financial institutions must make check deposits available. The regulation addresses types of checks and when funds from those checks are available for use.

Beach Municipal FCU will comply with all aspects of this regulation. Generally, deposits are available as indicated below (except for new accounts):

- a) Deposits from cash, wire transfers, payroll checks and direct deposit will be available the same business day as received.
- b) Deposits from U.S. Treasury checks, U.S. Postal Money Orders, State Government checks, money orders, traveler’s checks, cashier’s checks and certified checks (up to \$5,525) are generally available on the day of deposit.
- c) Deposits from personal and business checks (up to \$5,525) will have the first \$225 of the total checks deposited immediately available and the balance on hold.
- d) Deposits of any check over \$5,525 will generally have the first \$225 available and the balance on hold.

The Funds Availability Schedule (Appendix C) should be readily available for reference. The chart shows the availability schedule for each check type based on how the funds are deposited. The chart also includes the related availability for Service Center deposits and guidance on when to run TrueChecks based on the type of deposit.

The credit union has the right to extend a deposit hold based on certain conditions. Examples of conditions that would trigger an extended hold would be:

- the check was previously returned unpaid
- member's account is repeatedly overdrawn
- the credit union has reason to doubt the collectability of the check
- emergency conditions
- new accounts

When an extended hold is applied, the member must be provided with a Deposit Hold Notice (see Appendix D).

Appendix A

Member Relationship Chart should only be used:

- If the member requests immediate credit
- Staff member has been employed more than 1 year and is familiar with the member's account

*Average balance should be based on the prior 6 months of activity

Member Relationship Chart

| Question | Yes | No | Document on Receipt |
|---|---|--|---|
| 1. Has the member's share account been opened less than 1 year? | Deposit check using funds availability chart | Proceed to next question | N/A |
| 2. Has there been "no" financial transaction history on the share account(s) in past year? | Deposit check using funds availability chart | Proceed to next question | N/A |
| 3. Does the member have any delinquent loans or negative balance accounts? | Deposit check using funds availability chart Contact Collections | Proceed to next question | N/A |
| 4. Does the member have a share certificate that covers the amount of the check? | Checks < \$5525, give immediate credit Checks > \$5525, deposit using funds availability chart | Proceed to next question | Share Certificate # Example: SC# 1201 |
| 5. Does the member's average balance in any of the share type accounts cover or exceed the amount of the check? | Checks < \$5525, give immediate credit Checks > \$5525, deposit using funds availability chart | Deposit check using funds availability chart | Share(s) # - average balance Ex: S01 - \$2995.85; S01 & S70 - \$4275.20 |

Appendix B

TrueChecks Chart

| Recommended Action From TrueChecks | Hold Action – Account in Good Standing | Hold Action – Account in Poor Standing* | Hold Action – New Account | Action Taken on TrueChecks |
|------------------------------------|---|--|--|--|
| No Recommendation | Funds Availability Schedule. | Checks < \$1000 –with negative balance and/or delinquent loan(s) - 5 day hold on entire amount. Checks > \$1000 - 7 day hold on the entire amount <i>The Funds Availability Schedule may be used if the MSR has constructive knowledge of member receiving the check on a regular basis.**</i> | Use Funds Availability Schedule (if another account exists)** | Accept or Hold (Poor Standing/New Account) |
| Deny*** | N/A | N/A | N/A | Deny |
| Hold *** | \$225 Immediate - Checks < \$5525 – 5 day hold on remaining amount. Checks > \$5525 - 7 day hold on the remaining amount <i>The Funds Availability Schedule may be used if the MSR has constructive knowledge of member receiving the check on a regular basis.**</i> | 7 day hold on the entire amount. <i>The Funds Availability Schedule may be used if the MSR has constructive knowledge of member receiving the check on a regular basis.**</i> | 9 day hold on the entire amount or Funds Availability Schedule (if another account exists)** | Hold or Accept (if MSR warrants) |
| Extended Hold *** | Checks < \$5525 – 5 day hold on entire amount. Checks > \$5525 - 7 day hold on the entire amount <i>The Funds Availability Schedule may be used if the MSR has constructive knowledge of member receiving the check on a regular basis.**</i> | 7 day hold on the entire amount. <i>The Funds Availability Schedule may be used if the MSR has constructive knowledge of member receiving the check on a regular basis.**</i> | 9 day hold on the entire amount or Funds Availability Schedule (if another account exists)** | Hold or Accept (if MSR warrants) |

*An account in Poor Standing is defined as an account that has been overdrawn more than 6 times in the last 6 months or currently has a negative balance or past due on a loan payment.

**Any exceptions must qualify using the Member Relationship Chart or be approved by a supervisor by visibly initialing the check in the upper left hand corner or remote override. PLEASE NOTE: Employees with less than 1 year service cannot make a decision based on the Member Relationship Chart criteria. If the member request immediate credit, seek approval from your supervisor. The approving supervisor must visibly initial the check in the upper left hand corner or by remote override. For line of credit payments, consult your supervisor to determine if any action should be taken to temporary decrease the available credit limit.

***Any exception must be approved by a supervisor by visibly initialing the check in the upper left hand corner or by remote override. For line of credit payments, consult your supervisor to determine if any action should be taken to temporary decrease the available credit limit.

Appendix C

FUNDS AVAILABILITY SCHEDULE (FAS)

Beach Municipal implemented its Funds Availability Policy effective 12/01/01 and revised 07/01/2020. Each member has been provided a disclosure detailing the hold policy, either during the initial notification (mass mailing done in September 2001) or at account opening. Inflation measurement adjustment disclosed statement period ending 06/30/2020. Deposits from cash, wire transfers, payroll deduction, or direct deposit will be available to members the same business day the deposit is received. Listed below is a quick reference guide to assist in determining the hold period for a variety of types of checks that may be received for deposit. Please note that special rules apply for new accounts. For a complete description of our Funds Availability Policy, please refer to the disclosure and/or the entire policy which can be found on the Intranet.

| TYPE OF CHECK | IN-PERSON | OUR ATM | NEW ACCOUNT | Credit Union Service Center | TrueChecks |
|-------------------------------|--|---|---|---|--|
| Cash | Immediate | Next Day | Immediate | Immediate | No |
| Electronic Payments**** | - | - | - | N/A | No |
| Treasury Checks | - | - | Next Day | Immediate, checks > \$5,525.00 -Local | Yes, (Website Link) |
| Postal Money Orders | - | - | - | Immediate, checks > \$5,525.00 -Local | Call 1-866-459-7822 |
| Money Order/Trav. Chs | - | - | - | Local | If applicable, call number below or use TrueChecks for checks/money orders > \$225 |
| Federal Reserve bank/ | - | - | - | Local | Checks > \$225*** |
| Federal Home Loan Bank | - | - | - | Immediate, checks > \$5,525.00 -Local | Checks > \$225*** |
| State Government | - | - | - | VA Gov. checks Immediate > \$5,525.00/Other States -Local | Checks > \$225*** |
| Local Government | - | - | - | Local | Checks > \$225*** |
| Cashier's /iers/Certified | - | - | - | N/A | No |
| Or-U.S | - | - | - | Code as "Payroll" checks > \$2500.00 -Local | Checks > \$225*** |
| *Payroll (with documentation) | - | - | - | Local | Checks > \$225 (No hold)*** |
| Personal/Business Checks | **\$225 Immediate Balance In 2 Business days | **\$225 Next Day Balance In 2 Business days | \$225 Next Day Balance In 9 Business days | | Checks > \$225 (No hold)*** |
| Daily Deposit Total | | | | | Checks > \$1000 (Hold)*** |
| EXCEPTION HOLDS | | | | | |
| Large Item (over \$5525.) | | | | | Yes |
| TreasURY | | | | | - |
| Money Order/Trav Chs | 1st \$5525 Immediate | 1st \$5525 Next Day | 1st \$5525 next day | | - |
| Fed Reserve Bank | Balance in 2 Business Days | Balance in 2 Business Days | Balance on 5th Business Day | | - |
| Fed Home Loan bank | | | | | - |
| State & Local government | | | | | - |
| Cashier's/iers/Certified | | | | | - |
| Payroll (with documentation) | Immediate | Next Day | Immediate | | No |
| Or-U.S | | | | | - |
| Personal/Business Checks | **\$225 Immediate Balance In 2 Business Days | **\$225 next day Balance In 2 Business Days | \$225 Next day Balance on 5th Business Days | | Yes |
| Daily Deposit Total | | | | | |

* PAYROLL CHECKS - Beach Municipal Member - Payroll checks should have the pre-printed words "payroll" on the checks. For checks not displaying this verbiage, a paystub or signed documentation on file stating the maker of the check is an employer is required. Guest Member - The payroll check must be computer generated and the member must have corresponding paystub. Paystub number and net amount must match check. Handwritten items subject to "Local" hold. Note in upper right corner on check stub.
 ** Depending on the members relationship, the check deposit may not be subject to the normal policy. See member relationship chart.
 *** Exceptions - All counter, third party and checks drawn off same member's account at other FI (regardless of amount) must be run through True Checks. For third party checks, the entire check is subject to a 5 day hold. All checks over \$225 applied to a line of credit must be run through True Checks. Any suspicious checks must be run through True Checks.
 **** For any electronic direct deposit or wire transfer originated from outside of the United States, we reserve the right to delay availability of those funds pending verification that no sender, intermediary or other party appears on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated as such by the U.S. Treasury Department in consultation with the Federal functional regulators.

| MONEY ORDER VERIFICATION | Moneygram | Visa Travellers Checks | American Express | Western Union-11 | Memo International |
|--------------------------|----------------|------------------------|------------------|------------------|--------------------|
| PHONE NUMBERS | 1-800-542-3590 | 1-800-227-6811 | 1-800-525-7641 | 1-800-999-9660 | 1-800-222-8079 |

Appendix D



4164 Virginia Beach Blvd.
 Virginia Beach, VA 23452
 757.333.7787
 beachmunicipal.org

DEPOSIT HOLD NOTICE

| Date of Deposit | Deposit Amount | Amount Held | Check No(s). | Member No. |
|-----------------|----------------|-------------|--------------|------------|
| | | | | |

We are delaying the availability of funds from your deposit. These funds will be available as indicated below. Even if we make funds available to you, you are responsible for and must repay us for any checks you deposit that are returned to us unpaid for any reason. If you did not receive this notice at the time you made the deposit and the check(s) you deposited is paid, we will return to you any fees for overdrafts or return checks that result solely from the additional delay we are imposing. For refund information, contact us at the address or telephone number shown on this notice.

ADDITIONAL HOLD INFORMATION

- Case by Case Hold - We reserve the right to impose holds on checks on a case by case basis. We have decided to exercise this right with respect to the check(s) you have deposited.

- Exception Hold
 - A check you deposited was previously returned unpaid.
 - The items you deposited on this day exceed \$5,525.00
 - We believe a check you deposited will not be paid for the reason(s) marked below:
 - We received a notice that the check is being returned unpaid
 - The check you deposited is postdated or has a stale date
 - We have confidential information indicating that the check may not be paid
 - The check is drawn on an account with repeated overdrafts
 - We are unable to verify the endorsement of a joint payee
 - Some information on the check is not consistent with other information on the check
- Your account has been repeatedly overdrawn.
- An emergency, such as a computer failure, had occurred.
- There are erasures or other apparent alterations on the checks
- The routing number of the paying bank is not a current routing number
- Information from the paying bank indicates the check may not be paid
- We have been notified that the check has been lost or damaged

AVAILABILITY OF YOUR DEPOSIT

\$ _____ will be available on the _____ business day after the day of the deposit.
 \$ _____ will be available on the _____ business day after the day of the deposit.
 \$ _____ will be available on the _____ business day after the day of the deposit.
 \$ _____ will be available on the _____ business day after the day of the deposit.

ACCOUNT OWNER(S):

For Notices Mailed to Member:

Date mailed: _____

Prepared by: _____

rev 072020

Appendix E

Calculating 6 Month Average Balance

Click on an “Account Suffix” to go to the inquiry screens

The screenshot shows the Portico Explorer Bar interface. The main window displays the Transaction Area with a table of transactions. Below this, there is a table of shares with columns for Shares, Description, Balance, Available, WDC/Int, and Joint Name. The status bar at the bottom shows '34 OVR 06/26/2019' and 'W 51035-000'.

| Product | Amount | Functions | Product | Amount | Functions |
|---------------------|--------|-----------|---------------------|--------|-----------|
| CA Cash Received | | | 01 Share Deposit | | |
| CR Checks Received | | | 13 Holiday Deposit | | |
| 01 Share Withdrawal | | | 70 Share Draft Dep | | |
| 13 Holiday W/D | | | LP Loan Payment | | |
| 70 Share Draft W/D | | | LP Loan Payment | | |
| LA Loan Advance | | | CA Cash Disbursed | | |
| | | | CD Checks Disbursed | | |

| Shares | Description | Balance | Available | WDC/Int | Joint Name | Last Txn |
|--------|------------------|---------|-----------|---------|------------|------------|
| S 01 | Regular Share | 5.00 | 0.00 | 0.00 | | 06/25/2019 |
| S 13 | Holiday/Club1 | 0.00 | 0.00 | 0.00 | | 06/25/2019 |
| S 70 | Share Draft - OD | 21.97 | 21.97 | 0.00 | | 06/26/2019 |

Click on the Activity Tab

The screenshot shows the Share Maintenance and Inquiry screen. The 'Activity' tab is selected. The screen displays a table for 'Daily Average Balance for the Month' and a table for 'Draft Activity Counters'. The status bar at the bottom shows '34 OVR 06/26/2019' and 'W 51035-000'.

| Daily Average Balance for the Month | | | |
|-------------------------------------|----------|---------|----------|
| | March | April | May |
| | 138.09 | 25.53 | 49.91 |
| | December | January | February |
| | 55.78 | 22.84 | 82.96 |

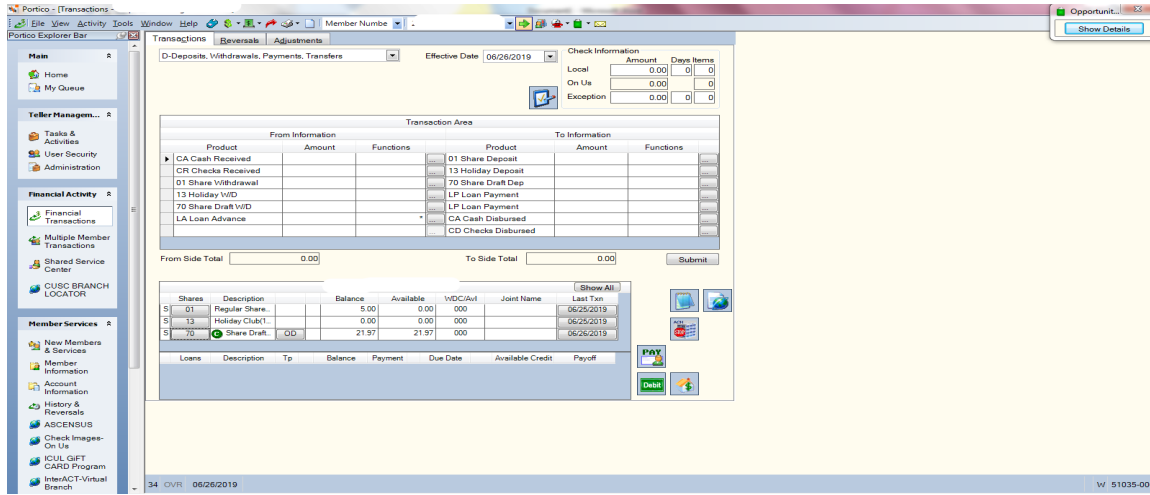
| Draft Activity Counters | | | | | |
|-------------------------|---------------|----------------|---------|-----------|--------------|
| | Month to Date | Previous Month | 90 Days | 12 Months | Life to Date |
| Exceptions | 0 | 0 | 0 | 0 | 0 |
| Returns | 0 | 0 | 0 | 0 | 0 |
| Rejects | 0 | 0 | 0 | 0 | 0 |
| Paid Negative | 0 | 0 | 0 | 0 | 0 |
| Paid Miscellaneous | 0 | 0 | 0 | 0 | 0 |
| Paid Uncollected | 0 | 0 | 0 | 0 | 0 |
| Paid Courtesy Pay | 0 | 0 | 0 | 0 | 0 |
| | Month to Date | Previous Month | 3 Month | 12 Months | Life to Date |
| Times Negative | 1 | 2 | 5 | 8 | 9 |
| Cleared | 0 | 0 | 0 | 0 | 0 |

Add the “Daily Average Balance” for the six months displayed then divide by 6.
If necessary, inquire on another account suffix by “Selecting another Share Account”, then click the “Green Arrow”.

Appendix F

More than 6 Times Negative In 6 Month Period Inquiry

Click on “Last Transaction Date” for the Share or Share Draft account.



Account Type - Choose “Shares/Drafts”

Account ID - Choose “ALL”

Desc Type - Choose “No Description”

Txn Type - Choose “Withdrawals & Advances”

Enter Begin Date (6 months ago from current date)

Enter End Date (Current date)

Click Search

Click “More” until it disappears.

Click “After Balance” (all negative balances will appear first in red for the time period)

The screenshot shows the History window with the following selection criteria:

- Type of History: F - Financial Transaction History
- Account Type: Shares/Drafts
- Account ID: All
- Desc Type: No Description
- Txn Type: Withdrawals & Advances
- Begin Date: 03/01/2019
- End Date: 08/29/2019
- Order: Descending Date Order

The Financial Transaction History table is as follows:

| ID | Post Date | Time | Eff Date | TL | BR | Txn R | CAN | Txn Amount | After Bal | Dft Nbr | IRS |
|------|------------|----------|------------|----|-----|-------|-------|------------|-----------|---------|-----|
| D 70 | 06/10/2019 | 09:05:58 | 06/09/2019 | 18 | 000 | RA | 16882 | -30.00 | -60.00 | | |
| D 70 | 04/30/2019 | 10:54:37 | 04/29/2019 | 18 | 000 | RA | 11227 | -30.00 | -42.31 | | |
| D 70 | 06/03/2019 | 10:32:13 | 06/02/2019 | 18 | 000 | RA | 15985 | -30.00 | -30.00 | | |
| D 70 | 05/28/2019 | 10:36:10 | 05/24/2019 | 18 | 000 | RA | 15021 | -30.00 | -29.22 | | |
| D 70 | 04/16/2019 | 10:52:04 | 04/15/2019 | 18 | 000 | RA | 9466 | -30.00 | -29.14 | | |
| D 70 | 05/13/2019 | 19:07:35 | 05/13/2019 | SN | 010 | W1 | 21509 | -7.46 | -24.08 | | |
| D 70 | 03/19/2019 | 10:00:10 | 03/18/2019 | 18 | 000 | RA | 5591 | -30.00 | -23.08 | | |
| D 70 | 05/13/2019 | 11:30:22 | 05/12/2019 | 18 | 000 | RA | 13057 | -30.00 | -16.62 | | |
| S 01 | 07/17/2019 | 09:57:50 | 07/16/2019 | 18 | 000 | RA | 1994 | -30.00 | -15.78 | | |
| D 70 | 04/24/2019 | 10:10:07 | 04/23/2019 | 18 | 000 | RA | 10559 | -30.00 | -12.31 | | |
| S 01 | 06/24/2019 | 09:33:01 | 06/21/2019 | 18 | 000 | RA | 18739 | -30.00 | -1.41 | | |
| D 70 | 07/15/2019 | 07:00:40 | 07/15/2019 | SN | 010 | W1 | 1369 | -15.99 | 0.00 | | |