

## Quick Reference Guide for Return Item Processing

12/6/02

Term	Definition	Additional References
Bank of First Deposit (BOFD, Depository, Endorser)	The first bank in which a check is deposited.	
Counterfeit (Fraudulent Check)	Most common version contains the MICR routing number of one bank, the printed name of another, and fractional of a third bank. The legal paying bank is the one whose MICR routing number is used. Item should be returned through normal return item channels if discovered within the return deadline, items discovered after the return deadline should be handled directly with the BOFD.	OPC 3 14.2
Endorsement Standard BOFD (Indorsement)	Must be dark purple or black ink, contain the 9 digit routing number offset by arrows, name of the bank & date of endorsement. See reference for proper placement	Reg. CC 229.35 Reg. CC Appendix D
Extension of Time Limit	An acceptable delay by the collecting or payor bank that is caused by circumstances beyond their control. May also be referred to as an "act of God"	Reg. J 210.14 UCC 4-109(b)
Forward Collection Check (Cash Item or "On Us")	A check processed and sent to the bank it is drawn on for payment. <b>See important detail in OPC 3 - 14.2</b>	Reg. CC 229.30 (a) OPC 3 1.3 (a&b), 2.0, 14.2
Item	Can be either a forward collection check (cash item) or a return check	OPC 3 1.3(a)
Notice of Nonpayment (Large Dollar Notification)	Requirement of the paying bank to notify the depositing bank for any item \$2,500.00 or greater that it has determined not to pay.	Reg. CC 229.33 OPC 3 16.0
Paying Bank (Drawee or Payor Bank)	The financial institution at which a check is drawn on and payable at.	
Position 44	The location on the MICR line immediately to the left of the first routing number symbol, a 2 in this field identifies an item as a QRC (defined in this document)	Reg CC 229.30 (a)
Presentment	Receipt of physical checks or an electronic transmission demanding payment.	
Qualified Return Check (QRC)	A return check that has been prepared as machine readable by encoding a 2 in position 44, the 9 digit routing number of the BOFD & the amount.	Reg. CC 229.31(a) OPC 3 15.6
Return Check	Any check in which payment has been dishonored & returned by the paying bank for a variety of reasons. The reason for return must be displayed on the face of the check.	OPC 3 1.3 (a&c), & 15.5 Reg. CC 229.30 (d)
Timely Return	A return check that has left a financial institution by midnight of the business day following presentment for eventual return to the BOFD	Reg CC 229.30 (a) UCC 4-301
Unidentified BOFD (defined in this document)	A return check that the BOFD endorsement is missing or illegible. Item MUST be handled as a raw return item. The item should not be QRC'd to <b>any</b> FRB routing number, unless they have endorsed as the BOFD. Each bank should have procedures in place to monitor the quality of their endorsements, or they may be at risk for non notification of a large return, and/or possible delay in the return.	Reg. CC 229.30 (b) Reg. CC 229.35 (a) Reg. CC Appendix D
Unqualified Return (RAW)	A return check that has not been prepared as machine readable.	Reg. CC 229.30(b) Reg. CC 229.31(b) commentary OPC 3 15.4

Reg. CC

Regulation CC - Availability of Funds and Collection of Checks  
<http://www.bankinfo.com/Regs-aag/reg12229.html>

Reg. J

Regulation J - Collection of Checks and Other Items and Wire Transfer of Funds  
<http://www.bankinfo.com/Regs-aag/reg12210.html>

OPC 3

Operating Circular 3 - Collection of Cash Items and Return Checks  
<http://frbservices.org/checks/frchecks.cfm>

Adj. Quick Ref

Adjustment Quick Reference Guide  
<http://frbservices.org/CheckAdjGuide/frCheckAdjGuide.cfm>

UCC

Uniform Commercial Code Articles 3 and 4  
<http://www.law.cornell.edu/ucc/3/overview.html>