



ACH Quick Resource Guide

*This document does **NOT** contain all the rules and regulations that govern ACH transactions. For more information, please review the rules on the NACHA website <http://www.nacha.org>.*

This Quick Reference Guide provides a brief summary of Originator Responsibilities when originating ACH transactions. It is not intended to be a replacement or substitution for the NACHA Rules and Guidelines. NACHA Rules are subject to change

Important Terms

ACH NETWORK – The ACH Network is a batch payment system. NWFCU forwards entries received from its Originators to the ACH Operator. The ACH Operator distributes the entries to each Receiving Bank and the Receiving Bank in turn credits or debits its customers.

NACHA RULES – NACHA administers the rules that govern the ACH Network. Banks, Originators, and Third Party Service Providers participating in the ACH Network agree to abide by the NACHA Rules. The online copy of the rules may be accessed at <http://www.achrulesonline.org/>

CREDIT ENTRY – An ACH entry that deposits (credits) funds to a Receiver's account.

DEBIT ENTRY – An ACH entry that withdraws (debits) funds from a Receiver's account.

ORIGINATOR – A company that initiates an ACH debit or credit, through an ODFI or Third-Party Sender, to a Receiver.

RECEIVER – The company or individual that receives an ACH debit or credit entry from an Originator.

ODFI (ORIGINATING DEPOSITORY FINANCIAL INSTITUTION) – NWFCU

RDFI (RECEIVING DEPOSITORY FINANCIAL INSTITUTION) – Receiver's bank.

ACH OPERATOR – The Federal Reserve

THIRD PARTY SERVICE PROVIDER (TPSP)* – An Organization (not an Originator, ODFI, or RDFI) that performs any functions on behalf of the Originator, ODFI and/or RDFI. This can include the creation of files or acting as a sending point or receiving point for a Participating DFI. (An organization acting as a Third-Party Sender also is a TPSP – see next question for current definition) Examples of TPSP: data processing service bureau, correspondent bank, payable through bank, a banker's bank, or even a financial institution acting on behalf of another financial institution.

THIRD PARTY SENDER (TPS)* - As revised in 2014, the definition of a Third-Party Sender is as follows: "A type of Third-Party Service Provider that acts as an intermediary in Transmitting Entries between an Originator and an ODFI, including through Direct Access, and acts on behalf of an Originator or another Third-Party Sender. A Third-Party Sender must have an Origination Agreement with the ODFI of the Entry. A Third-Party Sender is never the Originator for the Entries it transmits on behalf of another Organization. However, a Third-Party Sender of Entries may also be an Originator of other Entries in its own right." (Article Eight, Section 8.98)

STANDARD ENTRY CLASS (SEC) CODES – SEC codes assigned to your ACH Entry indicate the type of entry being sent as well as the return rules that apply to that entry (see attached).

PASS-THRU FILE – An ACH file in NACHA format created by your company's own software and uploaded to online banking using NWFCU's ACH service.

**If your company originates ACH entries on behalf of an entity other than your own, a third-party agreement is required for compliance with the NACHA Rules. Please contact your account officer for more information.*

ORIGINATOR RESPONSIBILITIES

- Obtain proper authorizations (see sample authorization form) from Receivers and maintain copies of the authorizations for two (2) years after the authorization is revoked or terminated. Account authorization must be retained in a secure manner.
- Apply the appropriate SEC Code based on type of customer bank account (corporate or consumer), and if "consumer" how authorization was obtained; in writing, over telephone, or Internet.
- Send entries on the proper date and cease submission of future entries when instructed. (see "Returns")
- Provide proper notice to the Receiver if changing amount or date of debit.
- Protect all payment information throughout the process to comply with the NACHA Data Security Rule.
- Protect your computer with features including anti-virus software, malware protection and a firewall.
- Change Receiver information within six (6) banking days upon receipt of a Notification of Change, or before sending another entry to the same Receiver. (See "Notification of Change")

AUTHORIZATIONS FROM CONSUMERS

- As an originator, you are required to obtain an authorization from a consumer receiver in writing and signed by the receiver or similarly authenticated before initiating a credit or debit entry to his/her account.
- NWFCU reserves the right to request a copy of the authorization at any time to verify an ACH entry.

AUTHORIZATIONS FROM BUSINESSES

- As an originator, you are required to obtain an authorization from a non-consumer (business) receiver before initiating a credit or debit entry to their account. Although the NACHA Rules do not specify that this authorization must be in writing it is highly recommended that it is obtained in writing to support the agreement between your company and your receiver.
- NWFCU reserves the right to request proof of an authorization at any time to verify an ACH entry.

OFAC (Office of Foreign Assets Control)

- You are responsible for ensuring that your entries comply with OFAC sanctions as required by your ACH Origination Agreement with NWFCU. You may check the OFAC Specially Designated Nationals and Blocked Persons list at: <http://sdnsearch.ofac.treas.gov>

PRE-NOTIFICATION (PRENOTE)

- A pre-note is a zero dollar ACH entry sent with the purpose of verifying the account information of the receiver.
- The Receiving Bank is not required to validate the name of the receiver on the pre-note, it is only required to verify the account number.
- Pre-notes are not mandatory; however, if a pre-note is sent, a live dollar entry may not be sent for at least three (3) banking days.

CHANGING THE DATE OR AMOUNT OF ACH DEBITS

- You must notify your business and consumer Receivers seven (7) calendar days before the effective date of the recurring ACH Debit entry if the date of the entry will change.
- You must notify consumer receivers ten (10) calendar days before the effective date of the recurring ACH Debit entry if the amount of the entry will change.

RETURNS

- The Receiving Bank must create and send Returns within two (2) Banking days. We recommend to review your account daily.
- An ACH entry may be returned to your company for administrative reasons, such as an incorrect account number, closed account, etc.
- An exception to the two (2) Banking day rule is consumer unauthorized returns, which may be returned within 60 days of posting.
- If an entry is returned as unauthorized, you must cease initiating entries to that Receiver and obtain a new authorization before sending additional entries.
- The use of consumer (PPD, TEL, WEB) or corporate (CCD) SEC Codes determines the applicable ACH return rules.
- An ACH entry returned to you for insufficient (R01) or uncollected funds (R09) may be re-initiated up to two (2) times within 180 days. It is in violation of the NACHA Rules to re-initiate a debit entry if a return is received for any other reason.
- You must maintain a return ratio of less than 3% for administrative returns , less than 0.5% of unauthorized returns and less than 15% of overall returns during a 60 day period (see attached for list of return codes).
- If your company exceeds the 3% , 0.5% return ratios, or 15% overall returns NWFCU reserves the right to suspend ACH services.

REVERSALS

- Per the NACHA Rules, reversals are only allowed due to wrong dollar amount, wrong account number, or duplicate transaction.
- When initiating a reversal, the reversing entry must be for the full amount, must be sent within five (5) banking days of effective date of the original entry and must be sent within 24 hours of discovering the error.
- The NACHA Rules state that your company must make a reasonable attempt to notify the Receiver of the reason for the reversal before the effective date of the reversing entry. However, the Receiver does not need to authorize the reversing debit.

NOTICE OF CHANGE (NOC)

- When ACH entry information is incorrect, the receiving bank sends a Notification of Change (NOC) to NWFCU requesting that future entries to the Receiver contains correct information (see attached list for Change Codes).
- NWFCU will notify you within two (2) banking days if a NOC is received for your company.
- ACH Rules require you to make the change within six (6) banking days or before the next entry is sent.
- The Receiving Bank warrants the information they provide is correct. You do not need to obtain permission from the Receiver to update the information in your system.

AUTHORIZATION TYPES (SEC CODES)

Corporate Authorization

"CCD"

- Use this SEC Code for all business to business transactions. There must be an agreement between parties. The NACHA Rules do not define an "agreement". It is suggested you follow the same authorization criteria when obtaining consent as you would a Consumer. (See below)

Consumer Authorizations

"PPD"

- Consent to debit consumer bank account occurs when the authorization form is signed. (See attached sample authorization form)

"TEL"

- Verbal consent to debit consumer account provided over the telephone.
- To refund money must use "PPD" SEC Code even though "TEL" SEC Code used on original debit transaction.
- Call must be recorded (recording must be retained for two (2) years from date of transaction).
- Notice must be sent to consumer prior to settlement of the entry (in case of recurring transactions), either by email or regular mail.
- Verify Receiver's identity.
- Verify routing numbers.

"WEB"

- Consent to debit consumer bank account provided on originator's website.
- To refund money must use "PPD" SEC Code even though "WEB" SEC Code used on original debit transaction.
- An annual audit must be conducted to ensure financial information is protected by security practices and procedures.
- You must have a commercially reasonable fraudulent transaction detection system established and implemented. This include validation of account number used to create the entry.
- You must have a commercially reasonable method of authenticating the identity of the Receiver.
- You must have a commercially reasonable method of verifying the routing number provided by the Receiver.

Code	Title	Description	Consumer or Business	Debit/Credit
PPD	Prearranged Payment and Deposit Entry	Recurring entry for all direct deposit of payroll, or for direct payment of recurring bills such as utilities, loans, insurance, etc.	Sent to Consumer Accounts only.	Debit or Credit
CCD	Corporate Credit or Debit	Transfer of funds between business accounts.	Sent to Business Accounts Only	Debit or Credit
TEL	Telephone Initiated Entry	Entry submitted by consumer via telephone.	Consumer	Debit only
WEB	Internet/Mobile Initiated Entry	Entry submitted by consumer via internet or a wireless network.	Consumer	Debit only

RETURN ENTRY CODES

*This list is not exhaustive of all return reasons that might be used by the returning financial institution. Additional return codes/reasons will be explained as needed

Unauthorized Returns	
R05	Unauthorized Debit to Consumer Account Using Corporate SEC Code
R07	Authorization Revoked by Customer
R10	Customer Advises Entry is Unauthorized, Improper, Ineligible, or Part of an Incomplete Transaction
R29	Corporate Customer Advises Not Authorized
R51	Item Related to Re-presented Check (RCK) Entry is Ineligible or RCK Entry is improper

Administrative Returns	
R02	Account Closed
R03	No Account / Unable to Locate Account
R04	Invalid Account Number

Other Returns	
R01	Insufficient Funds
R08	Stopped Payment
R09	Uncollected Funds
R13/R28	Invalid Routing Number
R16	Account Frozen
R20	Non-Transaction Account

NOTIFICATION OF CHANGE CODES

C01	Account Number
C02	Routing/Transit Number
C03	Account Number and Routing/Transit Number
C04	Transaction Code
C05	Account Number and Transaction Code
C06	Account Number AND Routing/Transit Number AND Transaction Code

TRANSACTION CODES

Transaction Type	Transaction Code	Pre-note Transaction Code
Checking Account – Credit	22	23
Checking Account – Debit	27	28
Savings Account – Credit	32	33
Savings Account - Debit	37	38

Sample Authorization for Direct Payment via ACH (ACH Debit)

CONSUMER AUTHORIZATION FOR DIRECT PAYMENT VIA ACH (ACH DEBITS)

Direct Payment via ACH is the transfer of funds from a consumer account for the purpose of making a payment

I (we) authorize _____ [Company Name] _____ ("COMPANY") to electronically debit my (our) account (and, if necessary, electronically credit my (our) account to correct erroneous debits¹) as follows:

Checking Account/Savings Account (select one) at the depository financial institution named below ("DEPOSITORY"). I (we) agree that ACH transactions I (we) authorize comply with all applicable law.

Depository Name _____

Routing Number _____ Account Number _____

Amount of debit(s) or method of determining amount of debit(s) [or specify range of acceptable dollar amounts authorized]: _____

Date(s) and/or frequency of debit(s): _____

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY [insert manner of revocation, i.e., in writing, by phone, location, address, etc.] that I (we) wish to revoke this authorization. I (we) understand that COMPANY requires at least [X days/weeks] prior notice in order to cancel this authorization.²

Name(s) _____

Date _____ Signature(s) _____

Sample Authorization for Direct Deposit and Split Deposit via ACH (ACH Credit)

CONSUMER AUTHORIZATION FOR DIRECT DEPOSIT VIA ACH (ACH CREDITS)

Direct Deposit via ACH is the deposit of funds to a consumer's account for payroll, employee expense reimbursement, government benefits, tax and other refunds, and annuities and interest payments.

Check all that apply: D Begin Deposit D Change Information D Split Among Multiple Accounts
I have provided information for each of my accounts below.

I (we) hereby authorize !CompanyName ("COMPANY") to electronically credit my (our) account (and, if necessary, to electronically debit my (our) account to correct erroneous credits¹) I (we) agree that ACH transactions I (we) authorize comply with all applicable law.

Account #1

D Checking Account/0 Savings Account (select one) at the depository financial institution ("DEPOSITORY") named below.

Depository Name _____
Routing Number _____ Account Number _____
Name(s) on the Account _____
Amount of credit (i.e., flat amount or percentage) _____
Date(s) and/or frequency of credit(s) _____

Account #2

D Checking Account/0 Savings Account (select one) at the depository financial institution ("DEPOSITORY") named below.

Depository Name _____
Routing Number _____ Account Number _____
Name(s) on the Account _____
Amount of credit (i.e., flat amount or percentage) _____
Date(s) and/or frequency of credit(s) _____

Account #3

D Checking Account/0 Savings Account (select one) at the depository financial institution ("DEPOSITORY") named below.

Depository Name _____
Routing Number _____ Account Number _____
Name(s) on the Account _____
Amount of credit (i.e., flat amount or percentage) _____
Date(s) and/or frequency of credit(s) _____

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY [insert manner of revocation, i.e., in writing, by phone, location, address, etc.] that I (we) wish to revoke this authorization. I (we) understand that COMPANY requires at least [X days/weeks] prior notice in order to cancel this authorization.²

Name(s) _____
(Please Print)

Date _____ Signature(s) _____