



# ACH Origination Services QUICK GUIDE

This Quick Guide provides a brief summary of ACH facts and ACH Originator Responsibilities. It is not intended to be a replacement, amendment or substitution for the NACHA Rules and Guidelines or AB&T's ACH Agreement with your company.

Please note NACHA Rules are subject to change. You are responsible for abiding by the NACHA Rules including periodic revisions. The most recent NACHA rules can be found at [www.nachaoperatingrulesonline.org](http://www.nachaoperatingrulesonline.org). If you wish to purchase this year's NACHA rule book, it is available at [www.nacha.org/eStore](http://www.nacha.org/eStore).

## ACH Facts

- An ACH Originator is any entity or person that creates an ACH transaction.
- ACH entries are categorized as "consumer" or "corporate."
- ACH is capable of crediting or debiting checking or savings accounts.
- ACH entries are received by most financial institutions.
- ACH is a batch system (not real time).
- ACH entries are irrevocable once they have been sent for processing.

## Your Responsibilities as an Originator

- Obtain proper authorizations, dependent upon the transaction type, and retain authorizations for a period of two years after they are terminated or 2 years from the time another notice or document is created or received. Sample forms are available upon request.
- If requested by the Bank, provide a copy of the authorization. AB&T may request to see your authorizations from time to time as part of an annual audit.
- Send entries on the proper date.
- ACH payments must be approved and submitted before the cutoff at 4:00 pm EST on the banking day before the effective date.
- Give appropriate notice to recipient if changing amount or date.
- Cease subsequent entries when notified to stop.
- Make necessary changes to payee account information within six (6) business days upon receipt of a Notice of Correction or before another entry is sent.
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in the AB&T Business Banking and ACH Agreement.

## Direct Deposit Payroll Authorization (Consumer)

- Use an ACH Credits authorization form that collects employee account information.
  - A sample authorization agreement for Automatic Deposits is available upon request.
- Obtain a voided check or deposit ticket from the employee (if possible).
- Pre-authorized Payment/Deposits (PPD) should be selected when you are crediting or debiting a consumer account.

## Consumer Debit Authorizations

- For consumers, an authorization to debit an account must be in writing or "similarly authenticated."
- Pre-authorized Payment/Deposits (PPD) should be selected when you are crediting or debiting a consumer account.

## Corporate Authorizations

- For corporate entries, both debit and credit, there must be an authorization between the two parties in writing or "similarly authenticated".
- Cash Concentration Debits/Entries (CCD) should be selected to send an ACH to another company. It is used for debits and credits.
- CCD Entries may provide payment related information in one Addenda Record.

## Notice of Change

- When ACH information is incorrect, a Notification of Change (NOC) is sent by the Receiving Bank requesting that future entries contain correct information.
- ACH Rules require you to make the change prior to the next live entry or within six (6) banking days of receiving the information from AB&T, whichever is later.
- The Receiving Bank warrants that the information they provide to you is correct.
- AB&T will notify you of any NOCs received on your behalf.

## Returns

- You may re-initiate a debit entry up to two times if you receive a return entry of "NSF or Uncollected Funds." This gives the Originator a total of three attempts at debiting an account. The description must state Retry Payment.
- Entry must be re-initiated within 180 days of the original effective date.
- A "Stop Payment" return may be re-initiated only if you receive approval from the payee to re-send the item.
- It is a violation of NACHA Rules to re-initiate the debit entry if a return is received for any other reason.

## Changing Date or Amounts of Debits

- ACH Rules require you to notify your recipients of any changes in date or amount debited under the following circumstances:
  - Seven (7) calendar days' notice for a change of date (consumer and corporate).
  - Ten (10) calendar days' notice for a change in amount (consumer only).
- Sending the notice via U.S. Mail is acceptable.

## Reversals

- If a reversing entry must be made, please contact AB&T for instructions.
- Reversals may only be made for the following three conditions:
  - Wrong dollar amount
  - Wrong account number
  - Duplicate transaction
- The reversing entry must be for the full amount, must be sent within five (5) banking days of settlement date of erroneous entry and must be sent within 24 hours of discovering the error.
- Type REVERSAL in the description field.
- The Receiving Bank is under no obligation to post the reversing debit if it overdraws the payee's account or if the payee's account is closed.
- A payee must be notified if a reversing entry debits his or her account. However, a payee does not need to authorize the reversing debit.

## Protect Against Fraud

- Fraud schemes continue to grow, evolve and target legitimate businesses. Common examples are:
  - Business Email Compromise – Legitimate business emails are compromised or impersonated and then used to request an ACH payment to an account controlled by the fraudster.
  - Vendor Impersonation – Fraudster contacts your company posing as a legitimate vendor or contractor to request updates or changes to payment information to an account held by the fraudster. Contact is made via email, fax, phone, or on-line form submission.
- Dual control requires one user to initiate the transaction and another to approve it. If you do not have a second person to assist with this, you can set up an alert so that you are notified every time an ACH or wire is initiated. Dual control can also be used to verify changes to recipient account information.
- Educate and train employees to recognize, question, and independently authenticate changes in payment instructions, requests for secrecy, or pressure to take action quickly.
- Monitor your account activity daily.
- Notify AB&T immediately of any suspicious activity.

## Prenotifications (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry sent to verify account information.
- Prenotes are optional for you to send. However, if sent, prenote rules must be followed and it must precede the first live entry by at least three (3) business days.
- The Receiving Bank is not required to validate the name of the payee on the prenote, although many do; they are only required to check the account number.