

## Automated Clearing House (ACH) Rules for ACH Originators

To ensure compliance with current regulations, all ACH Originators have access to a free online version of the National Automated Clearing House Association (NACHA) Operating Rules. The Rules are published annually and are subject to change. The ACH Rules and updates can be accessed at [www.achrulesonline.org](http://www.achrulesonline.org). An electronic version of the ACH rules will be provided to each originator annually.

This originator quick guide is not intended to be a replacement or substitution for the NACHA Operating Rules & Guidelines. NACHA rules are subject to change and can be accessed at [www.achrulesonline.org](http://www.achrulesonline.org).

## ACH Facts

- An ACH Originator is any entity 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 stop payments for consumers no longer have an expiration date, as of March 2010. Non-consumer written stop payment orders expire six months from the date of the stop payment order unless
  - It is renewed in writing,
  - The item is returned, or
  - Customer withdraws the stop.

## Your Responsibilities as an Originator

- Obtain proper authorizations, dependent upon the transaction type, and retain authorizations for two years past revocation (See “Consumer Debit Authorizations”.)
- If requested by the RDFI, provide a copy of the authorization, Christian Financial Credit Union may request to see your authorizations from time to time as part of an annual audit.
- Send entries on the proper date.
- Give appropriate notice to debtor if changing amount or date.
- Cease subsequent entries when notified.
- Make necessary changes to payee account information within six (6) banking days upon receipt of a Notification of Change or before another entry is sent.
- When creating an ACH file, the Originator must populate the Company Name Field with the name by which it is known to and readily recognized by the Receiver of the entry.
- Check payees against OFAC compliance checklists.
- Protect the banking information received to originate transactions.
- Ensure your computer and you are protected as outlined in your Christian Financial Credit Union Agreement.

## Direct Deposit Payroll Authorization (Consumers)

- Use a direct deposit authorization form that collects employee account information. This form should allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
- Obtain a voided check from the employee (if possible).
- If changes occur, get another authorization form signed with new account information.
- The SEC code for direct deposit is PPD.

## Consumer Debit Authorizations

- For consumers, an authorization to debit an account must be in writing.
- The most common SEC code for consumer debits is PPD.
- Corporate (Business) Authorizations
- For Companies, there must be written authorization between the two parties.
- Originator must be able to provide proof of authorization or originator contact information for entries to non-consumer accounts (commercial) if requested.
- The most common SEC code for corporate transactions is CCD. It is used for debits or credits.

## Changing Date or Amounts of Debits

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

## Pre-Notifications (PRENOTES)

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

## 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. The ACH Rules require you to make the change within six (6) banking days of receiving the information from Christian Financial Credit Union or before another entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.
- Christian Financial Credit Union will notify you of any NOCs received on your behalf. Christian Financial may pass along any fines received based upon your non-compliance.

## Returns

- Returns must be processed by the Receiving Bank within 24 hours of settlement. As an originator, Christian Financial Credit Union recommends that you view your account activity daily.
- An exception to the 24-hour rule is consumer unauthorized returns, which may be returned within 60 days of date of statement.
- The use of consumer (PPD 60 days) or corporate (CCD 24-hour) entry codes determines the applicable ACH return rules.
- If the Receiving Bank receives a dispute claiming a debit was unauthorized, the Receiving Bank must obtain a signed Written Statement of Unauthorized Debit from the account holder. You may obtain a copy of that statement by requesting a copy through Christian Financial Credit Union.

The ACH Rules require that Originators must cease the origination of any ACH debit transactions when a previous ACH debit is returned as unauthorized, or authorization revoked by the Receiver. The Originator must obtain a new Authorization prior to re-originating any future transaction. [Effective October 3, 2016, Originating Depository Financial Institutions (ODFI) will pay a fee for each ACH debit that is returned as unauthorized (return reason codes R05, R07, R10, R29 and R51.) NACHA has set the preliminary fee at \$4.50 per unauthorized return. The fee could be passed on to the originator of the ACH debit transaction.]

- You may re-initiate a debit entry within 180 days 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. Reinitiated entries must contain identical content in the Company Name, Company ID, and Amount field. Modifications can only be made to the extent necessary to correct an error or facilitate processing of entry. Re-initiated entries must contain "RETRY PYMT" in the Company Entry Description Field.
- 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.

## OFAC (Office of Foreign Asset Control)

- You are required to check payees against OFAC compliance checklists.
- OFAC lists countries, groups and individuals with which U.S. Companies are not permitted to send or receive funds.
- Christian Financial Credit Union must protect itself by informing every customer that it is against the law to send debit or credit entries to OFAC-blocked entities. This is also located within the NACHA Rules provided.
- You may check the OFAC SDN list at: <https://sanctionssearch.ofac.treas.gov/>

## Deletions

- A Deletion may be used to prevent an entry from being delivered by Christian Financial Credit Union to the ACH network. Therefore, the entry must still be at Christian Financial Credit Union and cannot have been released to the ACH network. A deletion must be processed no later than three banking days before the file is scheduled to be processed.

## Reversals

- If a reversing file needs to be made, please contact the Business Development Department.
- A Reversal must be originated within five banking days of the effective date of the original entry to correct a duplicate or erroneous debit or credit transaction sent out in error.
- Erroneous entry is defined as: A duplicate entry, a payment to or from a receiver different than intended, a payment in an amount different than intended, or a PPD credit satisfying each of the following criteria: PPD credit is receiver's payroll, receiver was given a check at or prior to separation from employment for the full amount of the PPD credit, and the PPD credit was transmitted prior to delivery of the check.
- When initiating a reversal, the reversing entry must be for the full amount, must be sent within five banking days of original entry and must be sent within 24 hours of discovering the error.
- 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.
- The word "REVERSAL" must be placed in the Company Batch Header Field and if the file is reversing an erroneous file, then a correcting file must be initiated with the reversing file.

### **When should a Reversal be used?**

If Christian Financial Credit Union has released the erroneous transaction, you will be **unable** to perform a Deletion and therefore should initiate a Reversal. A Reversal must be initiated within five banking days of the erroneous debit or credit transaction. You must contact Business Development at Christian Financial Credit Union to submit a reversal.

### **Can Christian Financial Credit Union guarantee that a Reversal will be successful?**

No! The Operating Rules of the National Automated Clearing House Association (NACHA) provide that the Receiving Depository Financial Institution (RDFI) may accept Reversals without a prenotification. However, the RDFI may return them for any valid reason. As a matter of practice, many RDFI's do accept Reversals if there are sufficient funds in the Receiver's account and the account is not blocked, frozen or otherwise inaccessible.

## Additional Information:

The Better Business Bureau offers training specifically for small businesses on how to simplify the requirements of ACH data security. <https://www.bbb.org/all/cyber-security-resources>

Nacha's checklist to reduce fraud in payroll origination. [A Checklist Approach to Payment Initiation | Nacha](#)

Below you will find the most common terms and definitions relating to ACH. Additional information and full listings can be found within the *NACHA Operating Rules*.

**Transaction Codes:**

Transaction Code	Prenote	Normal Forward Entry	Return / NOC
Checking Account Credit	23	22	21
Checking Account Debit	28	27	26
Savings Account Credit	33	32	31
Savings Account Debit	38	37	36

**Notification of Change Codes:**

NOC Code	Field(s) Needing Correction
C01	Account Number
C02	Routing / Transit Number
C03	Account Number AND Routing / Transit Number
C05	Transaction Code
C06	Account Number AND Transaction Code
C07	Account Number AND Routing / Transit Number AND Transaction Code

**Return Codes:**

Return Code	Description	Return Timeframe	Detail
R01	Insufficient Funds	2 Banking Days	Available balance is not sufficient to cover the amount of the debit. Originator may initiate a new entry within 180 days of original entry. May not be reinitiated more than two times.
R02	Account Closed	2 Banking Days	Stop initiation of entries. Account has been closed by the customer or RDFI.
R03	No Account / Unable to Locate	2 Banking Days	Stop initiation of entries. Account number of individual is not identified.
R04	Invalid Account Number Structure	2 Banking Days	Stop initiation of entries until number/structure is corrected.
R05	Unauthorized Debit to Consumer Account Using a Corp SEC Code	60 Calendar Days	Stop initiation of entries. Account holder will need to sign new authorization.
R07	Authorization Revoked	60 Calendar Days	Stop initiation of entries. Account holder will need to sign new authorization.
R08	Payment Stopped	2 Banking Days	Stop initiation of entries. Contact account holder in reference to stop. Account holder will need new authorization.
R09	Uncollected Funds	2 Banking Days	Originator may initiate a new entry within 180 days of original entry. May not be reinitiated more than two times.
R10	Customer Advises Not Authorized, Originator Not Known, Originator Not Authorized	60 Calendar Days	Stop initiation of entries. Account holder will need to sign new authorization.
R11	Customer Advises Entry Not in Accordance of Terms of Authorization	60 Calendar Days	Stop initiation of entries. Account holder will need to sign new authorization.
R13	Invalid ACH Routing Number	2 Banking Days	Stop initiation of entries until Routing Number has been corrected.
R15	Beneficiary or Account Holder Deceased	2 Banking Days	Stop initiation of entries.
R16	Account Frozen / Returned per OFAC Instructions	2 Banking Days	Stop initiation of entries.
R20	Non-Transaction Account	2 Banking Days	Stop initiation of entries. Account holder will need to sign new authorization.
R29	Corporate Customer Advises Not Authorized	2 Banking Days	Stop initiation of entries. Account holder will need to sign new authorization.

**Questions:**

Business Development Department: [businessdevelopment@cfcumail.org](mailto:businessdevelopment@cfcumail.org)

Ashley Geddes: 586-498-3071

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## ACH Processing Schedule

*Prohibited types of ACH transactions;* Electronic Check (POP, BOC and ARC), All files will be formatted in NACHA format. Transmission specifications will be established by the Financial Institution.

### **ACH Processing Deadlines for ACH Service:**

**Credit Entries:**

Cut-off time for transmission of a File: until 3:00 pm local time, one (1) Business Day prior to the Effective Entry Date.

**Debit Entries:**

Cut-off time for transmission of a File: until 3:00 pm local time, one (1) Business Day prior to the Effective Entry Date.

### **ACH Processing Deadlines for Same Day- Regular ACH Service:**

Service	Same Day	Regular ACH
Cut off time	11:00 am	3:00 pm - – To be posted next business day
“Warehousing” *		90 Days
*Maximum number of days that a file can be sent to the Financial Institution before its Effective Entry Date.		

### **Same Day Processing Schedule**

Type	Deadline	Day of Delivery
Same Day Window	11:00 am EST	On the Effective Entry Date

“Business Day” is a day the Financial Institution is open to the public for carrying on substantially all of its business (other than Saturday, Sunday, or the listed holidays). “Effective Entry Date” must be a business day or the record will be processed on the next business day following the effective entry date.

### **Holiday Schedule (Non-Processing Days):**

- New Year’s Day
- Martin Luther King Jr Day
- Presidents’ Day
- Memorial Day
- Juneteenth
- Independence Day
- Labor Day
- Columbus Day
- Veterans Day
- Thanksgiving Day
- Christmas Day

## Chart of ACH Codes

### Standard Entry Class (SEC) Codes

Code	Application Title	Application Description	Consumer/Business	Debit/Credit
CCD	Corporate Credit or Debit	Transfer of funds between business accounts or to consolidate funds from several accounts of the same.	Business accounts only	Debit or Credit
CTX	Corporate Trade Exchange	Payment or collection of obligations between separate businesses.	Business accounts only	Debit or Credit
PPD	Prearranged Payment and Deposit Entry	One time or recurring entries for direct deposit payroll, pension, etc., or for direct payment of bills such as utilities, loans, insurance, etc.	Consumer accounts only	Debit or Credit

### Transaction Codes

Transaction Type	Normal Forward Entry	Prenote	Return/NOC
Checking Account Credit	22	23	21
Checking Account Debit	27	28	26
Savings Account Credit	32	33	31
Savings Account Debit	37	38	36

### Notification of Change (NOC) Codes

Change Code	Field(s) Needing Correction	Change Code	Field(s) Needing Correction
CO1	Account Number	CO5	Transaction Code
CO2	Routing/Transit Number	CO6	Account Number and Transaction Code
CO3	Account Number and Routing/Transit Number	CO7	Account Number, Routing/Transit Number and Transaction Code

## Standard Entry Class (SEC) Codes

A three-character identifier referred to as a standard entry class (SEC) code must accompany each ACH Entry (transaction). An SEC code defines how authorization for the transaction was obtained. Some SEC codes may only be used for transactions sent to a consumer account; others may only be used for transactions sent to a business/corporate account. Some codes may be used for transactions sent to both types of accounts.

NOTE: SEC codes must be used appropriately and in accordance with NACHA Rules. Allowable SEC Codes include CCD, PPD and CTX. The use of TEL and WEB requires an additional written agreement with the Bank.

The chart below outlines and defines the most common SEC codes being used today in the ACH network:

SEC Code	Consumer/ Corporate	Definition	Debit/ Credit	Return Timeframe*
<b>CCD</b> Corporate Credit or Debit Entry	Corporate	An Entry originated by an organization to or from the account of that organization or another organization. The entry can be monetary or non-monetary.	Debit or Credit	Administrative: 2 Banking days Unauthorized: 2 Calendar days
<b>CTX</b> Corporate Trade Exchange Entry	Corporate	An Entry by an organization to or from the account of that organization or another organization. Up to 9,999 lines of payment-related addenda, information may accompany this transaction. CTX is most commonly used when multiple lines of addenda are needed.	Debit or Credit	Administrative: 2 Banking days Unauthorized: 2 Calendar days
<b>PPD</b> Prearranged Payment & Deposit Entry	Consumer	An Entry originated by an organization to a consumer account based on a standing or single-entry authorization from the receiver of the transaction.	Debit or Credit	Administrative: 2 Banking days Unauthorized: 60 Calendar days
<b>TEL</b> Telephone Initiated Entry	Both	A Debit Entry originated based on an oral authorization provided to the Originator by a receiver via the telephone.	Debit	Administrative: 2 Banking days Unauthorized: 60 Calendar days
<b>WEB</b> Internet/Mobile Initiated Entry	Consumer	A Debit Entry originated based on 1) an authorization that is communicated, other than by an oral communication, from the receiver to the Originator via the Internet or a wireless network; or 2) any form of authorization if the receiver's instructions for the initiation of the individual debit entry is designed by the Originator to be communicated, other than by an oral communication, to the Originator via a wireless network.	Debit	Administrative: 2 Banking days Unauthorized: 60 Calendar days

\*Return timeframes listed in this table may vary depending on certain circumstances surrounding the transaction. For a complete guide on return timeframes, please refer to the *NACHA Operating Rules & Guidelines*.



## Common ACH Terms

Common ACH Terms	
Addenda Record	An ACH record type that carries the supplemental data needed to provide information concerning a payment to the Receiving Depository Financial Institution and Receiver.
ACH Credit	A transaction through the ACH network originated to pay a receiver.
ACH Debit	A transaction through the ACH network originated to withdraw funds from a receivers account.
ACH Network	The Automated Clearing House Network is the funds transfer system governed by the NACHA operating rules, it provides for the interbank clearing of electronic entries for participating financial institutions.
Batch	A group of records considered as a single unit for the purpose of data processing.
CCD	A Corporate Credit or Debit entry is used primarily for the intra-company concentration or disbursement of funds. May also be used to make corporate trade payments requiring minimal descriptive information.
CTX	A Corporate Trade Exchange is used primarily to include payment related remittance information with the ACH entry.
Company Batch/Header Record	The records contained within the ACH file that describes the originator of an ACH transaction. It is identified by record code '5'.
Effective Entry Date	The date on which the originator intends for ACH transactions to be posted to the receivers account.
File	A group of ACH entries. A file may contain one or more batches.
File Header Record	The first record of an ACH file containing information necessary to route, validate and track the ACH entries contained within the file. Identified by record type code '1'.
NACHA	The National Automated Clearing House Association that establishes the standards, rules and procedures that enable depository financial institutions to exchange ACH payments.
ODFI	The Originating Depository Financial Institution is a participating financial institution that initiates ACH entries, at the request of, and by agreement with its customers. ODFIs must abide by the provisions of the NACHA operating rules.
Originator	An individual, corporation or other entity that has authorized an ODFI to transmit a credit or debit entry to the deposit account of a receiver.
PPD	A prearranged Payment of Deposit is a consumer credit or debit entry initiated by an originator (usually a business entity) pursuant to a standing or single-entry authorization from its customer or employee.
Prenote	Prenotification Entries are optional, non-dollar ACH transactions that may be used by an originator to verify that the account number of an entry is for a valid account at a RDFI.
Receiver	An individual, corporation or other entity that has authorized an originator to initiate a credit or debit to the receiver's account at a RDFI.
RDFI	The receiving Depository Financial Institution is a financial institution that accepts ACH entries from its ACH operator for debit or credit to the accounts of receivers. All RDFIs must abide by the provisions of the NACHA operating rules.
Routing Number	Nine-digit number (eight digits and a check digit) that identifies a specific financial institution. Also referred to as the Routing Transit Number or ABA number.
Standard Entry Class	A three-character code within the company/batch header record to identify the payment types contained within an ACH batch. The standard entry class code defines the ACH formats to be used and indicates the rules and regulations that apply to the transaction.
Trace Number	A 15-digit code that uniquely identifies each entry within a batch in an ACH file. The first eight digits of the trace number are the routing number of the ODFI.
Transaction Codes	A two-digit code that defines various types of debit and credit entries and indicates the type of account to which the entry is posted to.

Abbreviation/Term	Definition
ACH Credit	A deposit to the Christian Financial account.

ACH Debit	A withdrawal from the Christian Financial account.
ACH Collections	Collect funds from multiple recipients through the ACH System.
ACH Single Receipts	Collect funds from a single recipient through the ACH System.
ACH Operator	The central clearing facility (either the Federal Reserve Bank or the Clearing House) that receives entries from ODFIs, distributes the entries to RDFIs and performs settlement functions.
ACH Pass Thru	ACH Pass Thru is used to load and submit properly formatted NACHA-format files. The file can contain one or more batches, both debit and credit batches, and multiple SEC codes.
CCD – Corporate Credit or Debit	Used for transfers between business accounts (Business to Business)
EPN – Electronic Payments Network	An electronic automated clearing house (ACH) that services as the sole ACH for the private sector in the United States.
NACHA – National Automated Clearing House Association	The national organization that maintains the operating rules, standards and procedures that govern all ACH activities and procedures.
ODFI	Originating Depository Financial Institution
Originator	The person or organization that has authorized an Originating Depository Financial Institution (ODFI) to transmit a credit or debit entry to the account of a receiver with a Receiving Depository Financial Institution (RDFI).
PPD – Prearranged Payment and Deposit Entry	A pre-arranged entry to or from a consumer account, for example, direct deposit of payroll (Business to Consumer or Consumer to Consumer)
Prefunding	Prefunding requires that the funds be available in the Christian Financial account on the day the transaction is scheduled and processed. All ACH debit transactions being sent out of Christian Financial will be pre-funded.
RDFI	Receiving Depository Financial Institution
Receiver	An individual, corporation or other entity that has authorized an originator to initiate a debit or credit ACH entry to an account held at a Receiving Depository Financial Institution.
SEC (Standard Entry Class) Code	Standard Entry Class code required by NACHA rules for every ACH transaction.
Subsidiary	A subsidiary is a company controlled by a holding company. You may have several businesses with various EIN numbers. You can process ACH for all subsidiaries as long as they are disclosed on the contract.
The Clearing House Payments Authority	The association designated to provide payment system support and education for payment professionals.
Token	A random series of numbers that change on predetermined intervals that helps ensure security of transactions.