



ACH Quick Guide

ACH Originators must obtain a current copy of the National Automated Clearing House Association (NACHA) Operating Rules and Guidelines (Rules) that is published annually. A copy of the Rules may be obtained at nachaoperatingrulesonline.org.

The Quick Guide provides a summary of the ACH terminology and ACH Originator Responsibilities. It is not intended to be a replacement or substitution for the NACHA Rules and Guidelines. NACHA Rules are subject to change and should be reviewed at least annually.

ACH Terminology

- An ACH Originator is any entity or personal that creates an ACH transaction.
- ACH entries are categorized as “consumer” or “business.”
- 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 typically irrevocable once they have been sent for processing.

Rules Governing ACH

You are required to abide by multiple rules and agreements including, but not limited to, the following when initiating ACH transactions.

- NACHA Operating Rules (nacha.org)
- Regulations E (for consumer entries)
- Minnesota Electric Funds Transfers Act
- Federal Arbitration Act (FAA)
- Uniform Commercial Code Article 4A
- Ideal Credit Union Digital Banking Terms and Conditions
- Ideal Credit Union ACH Origination Agreement
- Ideal Credit Union Availability of Funds
- Ideal Credit Union Electronic Fund Transfers
- Ideal Credit Union Fee Schedule
- Authorizations from employees, customers, etc.

Your Responsibilities as an Originator

- Obtain proper authorizations, dependent upon the transaction type and retain authorizations for two years past revocation.
- For debit transactions, ensure the following:
Signed authorization that includes their routing number, account number, amount of debit and frequency of debit, as well as cancellation requirements.
- If requested by the Credit Union, provide a copy of the authorization. Ideal Credit Union may request to see your authorizations from time to time as a part of an annual audit.
- Send entries on the proper dates; the daily ACH cutoff is 3pm.
- 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 Notice of Correction or before another entry is sent. You will receive these notices within digital banking.
- Protect the banking information received to originate transactions.
- Company entry description field must contain the word “PURCHASE” when the transaction includes e-commerce purchases.

Direct Deposit Payroll Authorizations (Consumer)

- Use a direct deposit authorization form that collected employee account information. This form should allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
- Obtain proof of account ownership from the employee (if possible).
- The most common SEC code for direct deposit is PPD.
- Company entry description field must contain the work “PAYROLL” when the transaction includes credits for payment of wages, salaries or similar types of compensation.

Consumer Debit Authorizations

- For consumers, an authorization to debit an account must be in writing or “similarly authenticated.”
- The most common SEC code for consumer debits is PPD.

Business Authorizations

- For companies, there must be an agreement between the two parties. While the NACHA Rules do not define an “agreement,” Ideal Credit Union recommends you have the company complete an authorization form.
- The most common SEC codes for business transactions are CCD. It is used for debits and 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 and business).
 - Ten (10) calendar days’ notice for a change in amount (consumer only).

Prenotifications (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 six (6) banking 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.
- If the prenote is returned, the same account information cannot be used to send subsequent entries.

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 within six (6) banking days of receiving the information from Ideal Credit Union or before another entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.

Returns

- Returns must be processed by the Receiving Bank within 24 hours of settlement. Returns that are unauthorized beyond the 24 hours are the company's liability and any disputes may have to be settled outside of the banking network. Ideal Credit Union recommends that you view your account activity daily.
- Any exception to the 24-hour rule is consumer unauthorized returns, which may be returned within 60 days of posting.
- The use of consumer (PPD) or corporate/business (CCD) entry codes determine the applicable ACH return rules.
- 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.

Reversals

- If a reversing entry must be made, please e-mail the Business Services department at businessservices@idealcu.com
- Reversals may only be made for the following three conditions:
 - Wrong dollar amount
 - Wrong account number
 - Duplicate transaction
- When initiating a reversal, the reversing entry must be for the full amount, within five (5) banking days of original entry and must be sent within 24 hours of discovering the error.
- 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.

Security & Fraud Prevention

- You are required to constituting a commercially reasonable security procedure that ensures sensitive information related to ACH transactions are secure from unauthorized access.
- You are responsible for maintaining and applying anti-virus software, security patches, firewalls and other security measures.
- You agree to educate user(s), agents and employees as to the risks of fraud and provide training as appropriate to avoid such risk.
- You are required to establish and implement risk-based processes and procedures that are reasonably intended to identify Entries that are suspected to being unauthorized or authorized under False Pretense, and at least annually review these process and procedures and make appropriate updates to address current risk threats.

Commonly Used ACH Standard Entry Class (SEC) Codes

Codes	Description
CCD – Corporate Credit or Debit (Business account only)	Transfer of funds between business accounts
PPD – Prearranged Payment and Deposit (Consumer accounts only)	Recurring entry for direct deposit of payroll, pension, etc., or for direct payment of recurring bills such as utilities, loans, insurance etc.

ACH Transaction Codes		Description
22	Credit	Checking Deposit
32	Credit	Share Deposit
27	Debit	Checking Withdrawal
37	Debit	Share Withdrawal
23	Credit	Prenote Checking Deposit
33	Credit	Prenote Share Deposit
28	Debit	Prenote Checking Withdrawal
38	Debit	Prenote Share Withdrawal

Change Codes	Description
C01	Incorrect bank account number
C02	Incorrect transit/routing number
C03	Incorrect transit/routing number and bank account number
C04	Bank account name change
C05	Incorrect payment code

Common ACH Return Codes	Description
R01	Insufficient Funds
R02	Account Closed
R03	No Account / Unable to Locate Account
R04	Invalid Account Number
R08	Payment Stopped
R09	Uncollected Funds
R13	Invalid ACH Routing Number
R16	Account Frozen
R20	Non-Transaction Account