

ACH Originator Newsletter 2021



Juneteenth National Independence Day is now recognized as a Federal Reserve Bank Holiday.

Celebrated June 19th, this year we will be **closed Monday, June 20th.**



2021 ACH Rules Update for Corporate Originators

2021 ACH Rules Update for Corporate Originators

As an Originator of ACH entries, it is important to stay current with the *ACH Rules*, including how updates and changes might impact your business. Limitation on warranty claims, supplementing data security requirements and meaningful modernization are just a few of the changes on tap for 2021 and beyond. Get up-to-speed on these revisions and how they will affect your organization!

[2021 ACH Rules Update for Corporate Originators.](#)

If you have any questions about how these changes may pertain to your existing Origination activities, please give the ACH Department a call.

NEW Corporate ACH Rules Option

Coming in 2022!

Next year, EPCOR is rolling out a brand-new resource they're calling the [ACH Quick Reference Guide for Corporate Users](#). This *Guide* is a quick summary of all the *ACH Rules* ACH Originators need to know and covers general rules, ODFI/Originator requirements, pre-requisites and warranties, as well as a review of all the processes such as returns, NOCs, prenotes and more! This new resource will be available for as low as \$30 and will be available in both print and electronic versions.

Visit EPCOR.org for more details

Business Email Imposters

In the past year, we have received multiple reports from customers who have experienced email spoofing.

A scammer sets up an email address that looks like it's from your employee or vendor. Then the scammer sends out messages using that email address. This practice is called spoofing, and the scammer is what we call a business email imposter. **Scammers do this to get passwords and bank account numbers or to get someone to send them money.** When this happens, your company has a lot to lose. Customers and partners might lose trust and take their business elsewhere — and your business could then lose money.

Always confirm email requests over the phone. This one extra step can save you money in the long run!



Visit FTC.gov/SmallBusiness for more information.



AUTHORIZATIONS

Do you have them handy?



As with any ACH transaction, the Originator (You) must obtain the Receiver's authorization. Let's go over what the SEC Codes are and how you should obtain authorization.

PPD - Prearranged Payment and Deposit Entry

A PPD is a credit or debit Entry initiated by an Organization to a **Consumer Account** of a Receiver based on an authorization from the Receiver.

For PPD debit entries, the authorization must

1. **be in writing;**
2. **be readily identifiable as an ACH authorization;**
3. **have clear and readily understandable terms;**
4. **provide that the Receiver may revoke the authorization only by notifying the Originator in the manner specified in the authorization; and**
5. **be either signed or similarly authenticated by the consumer.**

The Originator must provide the Receiver a copy of the authorization for all debit entries.

For PPD credit entries to a consumer account, the authorization

1. **May be obtained in writing, or it may be obtained orally or by other non-written means.**

Although an authorization is not required for a reversing entry that complies with the *Rules*, Originators are encouraged to obtain direct authorizations for these entries.

An Originator must retain the original or a reproducible copy of the Receiver's authorization for two years from the termination or revocation of the authorization, and must be able to provide the ODFI with an accurate copy within the time period required by the ODFI.

Notices of Variable Debits

Notice of Change in Amount

If the amount of a debit entry to be initiated to a consumer account differs from the amount of the immediately preceding debit entry relating to the same authorization, or differs from a preauthorized amount, an Originator must send the Receiver written notification of the amount of the entry and the date on or after which the entry will be debited. The Originator must provide this notice at least ten calendar days prior to the date on which the entry is scheduled to be initiated.

No Notice Required for Change Within Agreed Range

The Originator is not required to give the notice above if (i) the Originator provides, and the Receiver chooses, the option to receive such notice only if the amount of the entry falls outside a specified range or if the entry differs from the most recent entry by more than an agreed upon amount, and (ii) the variation in the amount of the entry is within the tolerance agreed to by the Receiver.

Notice of Change in Scheduled Debiting Date

An Originator that changes the scheduled date on or after which debit entries are to be initiated to a Receiver's account must send to the Receiver written notification of the new date on or after which entries are scheduled to be debited to the Receiver's account. The Originator must send such notification to the Receiver at least seven calendar days before the first such entry is scheduled to be debited to the Receiver's account. Variation in debiting dates due to Saturdays, Sundays, or holidays are not considered to be changes in the scheduled dates.

AUTHORIZATIONS (Continued)

CCD - Cash Concentration and Disbursement

A CCD is a credit Entry, a debit Entry, or a Non-Monetary Entry originated by an Organization to or from the account of that **Organization or another Organization**.

Prior to originating a CCD Entry to a non-consumer account, an Originator must:

1. Obtain the corporate Receiver's authorization to originate entries to the Receiver's account and
2. Obtain the corporate Receiver's agreement to be bound by the Nacha Operating Rules.

As with consumer entries, the business Receiver must authorize all ACH credits and debits to its account. An Originator must enter an agreement with each business Receiver of entries under which the Receiver has agreed to be bound by the Nacha Operating Rules. The nature of the agreement for corporate transactions can vary depending upon the complexity of the application and the relationship between the Originator and the Receiver. The Originator that is collecting or disbursing funds to its own subsidiaries, for example, may require an entirely different agreement for the funds transfer than it would if it were entering into a trading partner agreement with another corporation.



Originators of corporate debits to Receivers other than their own subsidiaries need to be aware of the sensitivity of this application. Many corporate Receivers are reluctant to allow debit activity to their accounts; therefore, it is imperative that the agreement that supports this type of activity is complete and accurate. Originators may be required to provide some proof that debit activity was, in fact, authorized if a transaction is questioned by the Receiver.

Introducing the EPCOR Corporate User Webpage

EPCOR is excited to announce the new Corporate User webpage! The idea for this page and everything on it came from members of the Cash & Treasury Management Committee, comprised of EPCOR members.

The site is designed to help corporate users ensure compliance with the various rules and regulations in the industry by providing educational resources.

The page includes links and information for all the corporate user resources listed in this article and more, including:

- Upcoming ACH Rules Changes
- Payments Insider Newsletter for Corporate Users (Includes Annual ACH Rules Update for Corporate Users)
- Did You Know... Short Informational Videos
- Check Fraud Spotting Tool
- Nacha Operations Bulletins
- Tips for Handling NOCs
- Frequently Asked Corporate User Questions & Answers
- Quick Reference Guides and Cards
- Audit and Risk Assessment Workbooks
- Corporate User Education



Electronic Payments Core of Knowledge

Be sure to take advantage of the resources above!

To check out the new Corporate User Webpage visit
epcor.org/corporateuser

Your Role in the Reinitiation of Returned Debit Entries

by Liz Cone, AAP, APRP, Manager, Audit Services, EPCOR

If at first you don't succeed, try, try again. We have all heard this motivational saying, and as long as certain criteria are met, it can be applied to the Reinitiation of Returned ACH Debit Entries. One of the risks associated with the origination of ACH debit Entries is the Return of one or more of those debit Entries, which would result in a debit to the Originator's account and would require Return Rate monitoring. Should an Originator or Third-Party Sender receive a Returned debit Entry, the *ACH Rules* allow that Originator or Third-Party Sender to attempt to collect those funds two additional times. Originators or Third-Party Senders that process Reinitiated Entries should ensure staff responsible for this process understand the *Rules* that are associated with the Reinitiation of Return Entries.

When Can You Reinitiate ACH Entries?

For a Return Entry to be considered eligible for Reinitiation, one of the following criteria must be met.

No Funds Available: The Return Entry was returned for insufficient or uncollected funds;

Stopped Payment: The Entry was returned as payment stopped and the Reinitiation has been separately authorized by the Receiver after the Originator receives the Return Entry. For example, this could occur if a Receiver does not recognize the company name of a pending Entry and places a stop payment. If the Originator reaches out to the Receiver to provide clarification about the Entry but does not obtain a new authorization, the Entry can be Reinitiated based on confirmation of the original authorization; or

Change in Account Status: The Originator has taken corrective action to remedy the reason for the return. An example could be an Entry being returned for Account Frozen, and the Originator has taken steps to ensure that the account is no longer frozen. This excludes Entries returned as R11.

If the Return Entry is determined to be eligible for Reinitiation, here are some other factors to keep in mind.

Reinitiation Deadline: The Originator must Reinitiate the Entry within 180 days after the Settlement Date of the original Entry.

Maximum Number of Attempts: An Originator may Reinitiate an Entry that has been returned a maximum of two times following the Return of the Original Entry.

When Can't You Reinitiate Entries?

The *ACH Rules* also provide circumstances that will prohibit a Return Entry from being eligible for Reinitiation.

Submitting a Reinitiated Entry that fits any of the following criteria will be considered improper Reinitiation practices.

Different Dollar Amounts: Reinitiated Entries must be for the amount of the original Returned Entry. The Reinitiated Entry cannot be for an amount greater than or less than the original Returned Entry. If the Originator or Third-Party Sender charges a Return Fee Entry because of the Return, a separate batch with specific formatting requirements should be transmitted.

Unauthorized Returns: Entries returned as Unauthorized are not to be Reinitiated. A new authorization must be obtained.

Evasive Entries: Initiating any other Entry that could be represented as an attempted evasion of the limitation on Reinitiation will also be considered improper. For example, not including "RETRY PYMT" in the Company Entry Description field in order to exceed the maximum number of attempts may be perceived as an evasive Entry.

Another piece of information important to consider is the Standard Entry Class (SEC) Code of the Return Entry. There are specific *Rules* surrounding the Reinitiation of a Re-Presented Check (RCK) Entry. An RCK can only be Reinitiated if it has been returned for insufficient or uncollected funds, or the item to which the RCK Entry relates has been presented no more than one time through the check collection system, whether as a check, substitute check or image, and no more than one time as an RCKACH Entry. (Continued On Next Page)

Your Role in the Reinitiation of Returned Debit Entries

(Continued) The *ACH Rules* also provide circumstances under which a debit Entry will not be treated as a Reinitiated Entry. If the debit Entry being originated in response to a Returned debit Entry meets any of the following criteria, it should not be treated as a Reinitiated Entry.

Preauthorized & Recurring Entries: The debit Entry is one in a series of preauthorized, recurring debit Entries and is not contingent upon whether an earlier debit in the recurring series has been returned. (Example: the March debit for a loan payment is returned, and the debit Entry for the April payment is sent on schedule. The April payment is not considered a Reinitiated Entry);

New Authorization Obtained: The Originator obtains a new authorization for the debit Entry after it receives the original Return Entry. One example could be where an Entry was returned as Unauthorized, but a new and separate authorization was obtained. Another example could be an Entry returned as stop payment, but instead of the Originator clarifying the original Entry and Reinitiating based on the original authorization, the Originator obtained a new and separate authorization from the Receiver;

Bad Account Information: The debit Entry is initiated to the Receiver's correct account following the return of a previous Entry using Return Reason Code R03 (No Account/Unable to Locate Account) or R04 (Invalid Account Number Structure); or

Incorrect Entry Information: The debit Entry is initiated to the Receiver's account following the return of a previous Entry using Return Reason Code R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization), and the error or defect in the previous Entry has been corrected to conform to the terms of the original authorization in accordance with the requirements of *Subsection 2.12.5, Correction of Entries Returned as R11*.

How do you Reinitiate Entries?

Now that it's been determined the Return Entry is eligible to be Reinitiated, it is important to ensure that the Reinitiated Entry is formatted in accordance with *ACH Rules* requirements. The Originator or Third-Party Sender must submit Reinitiated Entries as a separate batch containing the word "RETRY PYMT" in the Company Entry Description field of the Company/Batch Header Record. The description "RETRY PYMT" must replace the original content of the Company Entry Description field transmitted in the original Entry, including content otherwise required by *ACH Rules*.

The Company Name, Company Identification and Amount fields of the Reinitiated Entry must be identical to the contents of the original Entry. The contents of other fields should be modified only as necessary to correct an error or to ensure proper processing of the Reinitiated Entry.

Staff Training

Compliance with the *ACH Rules* should be a priority for every party involved in the origination of ACH Entries. Most ACH Origination Agreements contain language that allows the Originating Depository Financial Institution (ODFI) to pass on any fines/penalties received because of an *ACH Rules* violation that is filed due to non-compliance on the part of the Originator or Third-Party Sender. To limit the likelihood of a fine or penalty, each Originator and Third-Party Sender should ensure that its staff receives regular training regarding its responsibilities for complying with the *ACH Rules*. Originators and Third-Party Senders that Reinitiate Return Entries should review *Article Two, Subsection 2.12.4, Reinitiation of Returned Entries*, as well as its procedures to ensure that batches containing the Reinitiated Entries meet the *ACH Rules* requirements that are discussed above.

Several requirements must be met to Reinitiate a Return Entry. Sometimes it can be overwhelming to look at all the requirements and know exactly what steps to take. If you find yourself in this situation, or if you're not quite sure if something should be treated as a Reinitiated Entry, contact your financial institution.

Non-Processing Days for 2022

New Year's Day	Saturday, January 1st
Martin Luther King Jr. Day	Monday, January 17th
Presidents' Day	Monday, February 21st
Memorial Day	Monday, May 30th
Juneteenth National Independence Day	Observed Monday, June 20th
Independence day	Monday, July 4th
Labor Day	Monday, September 5th
Columbus Day	Monday, October 10th
Veterans' Day	Friday, November 11th
Thanksgiving Day	Thursday, November 24th
Christmas Day	Observed Monday, December 26th

PLEASE NOTE: If your ACH file is usually effective the day of or the business day following a holiday, we recommend processing your file at least 2 business days in advance.

This will ensure your payments, payrolls, and collections will be effective for the correct date without any delays.



- ACH Processing Times -

A friendly reminder that our processing deadline is:

4:30 p.m. for ACH files

3:00 p.m. for Wire Transfers



Our processing times are automated and cannot be over-ridden.

Any files that do not meet the cut-off will need to be re-processed on the next business day.

Contacting ACH Support

Contacting ACH Support at the First is easy. Our ACH Coordinator Sarah Winkler is happy to help anytime by phone or email! It is important to note that if Sarah is ever away from her desk, you may speak with our **Customer Support** team by calling **620-663-1521**. You will always get an immediate response, PLUS they can help you with ACH items that are on hold and user login issues. They are friendly, knowledgeable, and always available! Also, if needed, they can forward your call to another member of the ACH team or to Sarah's voicemail.

You may also email ACHSupport@fnbhutch.bank and any one of our ACH experts will be able to respond!