

ACH Originator

ANNUAL TRAINING

This training document includes important information that every Originator should know including key terms, updates to rule changes, SEC codes, return reason codes, etc.



Disclaimer

This document can be used by an Originating Depository Financial Institution (ODFI) to train its Originators on NACHA rules and content is valid as of the revision date on the document. This document is not meant to be all-inclusive. The ODFI may wish to add or change information provided herein. IBA does not warrant any additions or deletions to this document by the Depository Financial Institution (DFI).

What is the ACH Network?

ACH (Automated Clearing House) refers to the nationwide, batch-oriented electronic funds transfer system. The system moves large volumes of transactions between participating financial institutions. The National Automated Clearing House Association (NACHA) and the Federal Reserve Bank's ACH operating circulars establishes ACH rules and regulations.

ACH Cutoff Times

File Delivery Cutoff. Each entry or file shall be delivered to Financial Institution via First State Bank Nebraska cash management by **4:00 p.m., Central Standard Time (CST) at least one business day** prior to the effective date of the file. **ACH Files will not be processed on holidays or weekends.**

Same-Day ACH files must be sent to Financial Institution **by 12:30 p.m. CST** to be included in the **Same Day ACH processing**. If it is received after 12:30 p.m. CST, the file will be processed as noted above.

New ACH Rule Changes For 2025

Standard Company Entry Description – PAYROLL

This rule establishes a new standard description for PPD Credits for payment of wages, salaries and similar types of compensation. The Company Entry Description field must contain the description PAYROLL.

Standard Company Entry Description – PURCHASE

This amendment establishes a new standard description for e-commerce purchases; the Company Entry Description field must contain the description **PURCHASE**.

Language for the definition of e-commerce purchases:

- “For this purpose, an e-commerce purchase is a debit Entry authorized by a consumer Receiver for the online purchase of goods, including recurring purchases first authorized online. An e-commerce purchase uses the WEB debit SEC Code, except as permitted by the rule on Standing Authorization to use the PPD or TEL debit SEC Code.”



Standard Entry Class (SEC) Codes

SEC codes are payment types used by Originators to identify ACH debits or credits. Commonly used SEC codes are as follows:

SEC Code	Description	Application Use	Authorization Requirements
CCD	Corporate Credit or Debit	Provides a way for companies to receive or send ACH payments from or to other companies. Companies that need to transmit remittance data with the CCD entry (such as invoice or purchase order number) may add an addenda record to carry the payment related information.	The Rules do not require the CCD/CTX authorization to be a specific form. The Rules require the Originator and Receiver to have an agreement that binds the Receiver to the Rules. This agreement should contain the authorization requirements and procedures as determined by the parties.
CTX	Corporate Trade Exchange	This also provides a way for companies to receive or send ACH payments from or to other companies generally to pay for goods and services. The CTX format supports the transfer of extensive addenda records – up to a maximum of 9,999 records each carrying 80 characters of payment related data.	Same as CCD.
PPD	Prearranged Payment or Deposit	This code is used for a credit or debit entry originated by an organization to a consumer's account. It can be a single or recurring entry. PPD transactions are widely used for direct deposit of payroll and direct payments. Direct payments provides the ability to collect funds from a consumer's account. PPD can also be used for a return entry fee. If a company collects a fee for a debit entry (ACH or check) that is returned NSF or uncollected funds, the company can use PPD as long as proper notice is provided.	For PPD debits, the authorization must be in writing, be readily identifiable as an ACH authorization, have clear and readily understandable terms, provide that the Receiver may revoke the authorization by notifying the Originator in the manner specified in the authorization, and be either signed or similarly authenticated by the consumer. Iowa Law requires written authorization for PPD payroll deposits. For other credit entries, the authorization may be in writing or it may be obtained orally or by other nonwritten means.



What is an ACH return?

An ACH return is an entry that the RDFI is unable to post for a reason defined by NACHA (see common return reason codes below). The RDFI must initiate the return in time for your ODFI to receive it by opening of business on the second banking day following the settlement date of the original entry. This is often referred to as the “24-hour return deadline.” The RDFI may return some entries beyond this deadline; however, your ODFI must inform you of all returns promptly. The return will include a code that describes the reason for the return.

Return Reason	Code Description	Originator Action
R01	Insufficient Funds	Originator may initiate a new ACH entry within 180 days of original settlement date (max of two additional attempts).
R02	Account Closed	Originator must stop initiation of entries. Must obtain a new authorization from Receiver for a different account.
R03	No Account/Unable to Locate	Originator must stop initiation of entries and contact Receiver for correct account information.
R04	Invalid Account Number Structure	Originator must stop initiation of entries and contact Receiver for correct account information.
R05	Unauthorized Debit to Consumer Account Using Corporate SEC Code	Originator must stop initiation of entries.
R06	Returned per ODFI's Request	ODFI has requested RDFI to return an entry (optional to RDFI). Originator should contact the ODFI should they need to request an RDFI to return an entry.



Return Reason	Code Description	Originator Action
R07	Authorization Revoked by Customer	Originator must stop initiation of entries. Must obtain a new authorization to initiate entries.
R08	Payment Stopped	Originator must contact Receiver to identify reason for stop payment. Stop payment can be for one or more debit entries. May need new authorization to initiate entries.
R09	Uncollected Funds	Originator may initiate a new ACH entry within 180 days of original settlement date (max of two additional attempts).
R10	Customer Advises Originator is Not Known to Receiver and/or is Not Authorized	Originator must stop initiation of entries. Must obtain a new authorization to initiate entries.
R11	Customer Advises Entry Not in Accordance with Terms of Authorization	Originator may correct underlying error, if possible, and submit new Entry (no new authorization required).
R16	Account Frozen/Entry Returned Per OFAC Instruction	Originator must stop initiation of entries.
R20	Non Transaction Account	Originator must stop initiation of entries.
R23	Credit Entry Refused by Receiver	Originator must obtain a new authorization to initiate entries.
R24	Duplicate Entry	Originator should accept return.
R29	Corporate Customer Advises Not Authorized	Originator must stop initiation of entries. Must obtain a new authorization to initiate entries.



Reinitiation of Return Entries

An Originator may reinitiate an entry, other than an RCK entry that was previously returned, only if the entry was returned for insufficient or uncollected funds, the entry was returned for stopped payment and reinitiation has been separately authorized by the Receiver after the Originator received the return entry or the Originator has taken corrective action to remedy the reason for the return.

The Originator must reinitiate the entry within 180 days after the settlement date of the original entry. And the Originator may reinitiate an entry that has been returned for insufficient or uncollected funds a maximum of two times following the return of the original entry.

The reinitiated entries must be submitted as a separate batch that contains the word “RETRY PYMT” in the Company Entry Description field of the Company/Batch Header Record. For any reinitiated entry, 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 the Rules.

If a return fee is charged by the Originator to the Receiver for a debit entry that was returned for insufficient or uncollected funds, the Originator is required to provide notice to the Receiver that a return fee will be assessed if an item is returned unpaid. The Originator must use the Standard Entry Class Code “PPD” and must submit return fee entries as a separate batch that contains the words “RETURN FEE” in the Company Entry Description field of the Company/Batch Header Record.

What is a Notification of Change (NOC)?

An NOC is a non-monetary entry transmitted by an RDFI to identify incorrect information contained within an entry and also provides correct information to be used on future entries. NOC's provide a means for an RDFI to post an entry to the Receiver's account but also notifies your company of changes that must be made. When an RDFI transmits an NOC, they warrant the information contained within the NOC is correct. Upon receipt of an NOC, the ODFI must notify you of the information that must be changed within 2 banking days. You must make the requested change(s) within 6 banking days or prior to initiation of another ACH entry, whichever is later. Some common NOC codes are below:



Change Code	Description
C01	Incorrect Account Number or is formatted incorrectly
C02	Incorrect Routing Number due to merger or consolidation
C05	Incorrect Transaction Code – The account number contained in the entry is a checking account, but the transaction code is for a savings account or vice versa.
C06	Incorrect Account Number and Transaction Code

Reinitiation of Return Entries

The Originator must retain the original or reproductive copy of each written authorization of the Receiver, or a readily and accurately reproducible record evidencing any other form of authorization, for **two years** from the termination or revocation of the authorization, and must be able to provide the ODFI with an accurate copy or other accurate record to the RDFI within ten banking days without charge.

Meaningful Modernization

Nacha implemented amendments comprising Meaningful Modernization that were expected to improve and simplify the ACH user experience by facilitating the adoption of new technologies and channels for the authorization and initiation of ACH payments, reducing barriers to use of the ACH Network and providing clarity and consistency around the ACH authorization process.

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Standing Authorizations

Part of the changes included use of a standing authorization for consumer ACH debits. A standing authorization is an advance authorization by a consumer for future debits at various intervals. Future debits may be initiated by the consumer through a future action. This differs from recurring payments as they occur at regular intervals and requires no additional action by the consumer and a single entry that is a one-time payment. The new authorization is a hybrid and allows businesses and consumers to make more flexible payment arrangements that are on-going and require action by the consumer in the future. If you are interested in this product, please contact us for additional information.

Oral Authorizations

Prior to this amendment, the Rules did not provide for oral authorization outside of a telephone call. With the amendment, the Rules allow broader use of oral authorizations to include verbal interactions and voice-related technologies. If you are interested in learning more, please contact us.

Written Authorizations

As referenced above, the authorization for PPD debits must be in writing. At a minimum, they must include the following:

- language detailing if the authorization is for a single entry or recurring entries;
- the amount of the entry(ies) or reference to the method of determining the amount;
- the timing (including start date), number and/or frequency of the entries;
- the Receiver's name or identity;
- the account number to be debited;
- the date of the Receiver's authorization; and
- language instructing the Receiver how to revoke the authorization directly with the Originator (including timing and manner by which the Receiver must communicate the revocation to the Originator.) For an authorization for a single entry scheduled in advance, the revocation must provide the Originator a reasonable opportunity to act on the revocation prior to initiating the entry.

Originators must review and update, if necessary, the current authorization used for debit entries to ensure it includes the minimum data elements. Any new or updated authorization must conform to the new minimum requirements. Originators are not required to go back and obtain new authorizations for existing receivers.

