



## ACH ORIGINATOR GUIDE (ACH Originator Responsibilities)

The ACH Network, which provides for the interbank clearing of electronic payments, is governed by *The NACHA Operating Rules and Guidelines (Rules)*. The *Rules* apply to all entries and entry data transmitted through the ACH Network. **As an ACH Originator, you must comply with and are bound by the *Rules*.**

**First State Bank (Bank)** provides this document as a summary of ACH facts and ACH Originator Responsibilities. It is not a replacement or substitution for the *Rules*, which are subject to change.

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### 1. ACH Authorization Requirements

- Authorization obtained BEFORE** originating any ACH credit or debit
- Authorization **matches the SEC Code** used (Example: PPD, CCD)
- Authorization is **clear, understandable, and identifiable** as ACH authorization

#### **Consumer Credits (PPD – Example: Direct Deposit Payroll)**

- 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

#### **Consumer Debits (PPD)**

- Written authorization
- Authorization includes:
  - Receiver's name
  - Routing & account number
  - Account type (checking/savings)
  - Amount (or method to determine amount)
  - Frequency/timing (one-time or recurring)
  - Clear authorization language
  - Instructions on how to revoke the authorization
    - \*Needs to be specific in the timeframe needed to review and process the revocation and the method that is accepted to revoke the authorization*
  - Date of authorization and signature
- Copy provided to consumer
- Authorization available upon bank request

*The bank may request to see your authorization from time to time as part of an annual audit.*

#### **Corporate / Business Entries (CCD, CTX)**

- Commercial agreement on file
- Evidence of authorization available upon bank request

*The bank may request to see your authorization from time to time as part of an annual audit.*

For debits or credits to business accounts, there must be a commercial agreement between the parties. While Nacha does not prescribe a specific format, the Originator must be able to demonstrate that the business Receiver authorized the transaction.

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## 2. Authorization Retention Requirements

- Authorizations retained **at least 2 years after revocation or termination**
- Authorization can be provided to the bank **within 10 banking days** of request

This applies to **both consumer and corporate transactions**.

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## 3. Proper Use of SEC Codes

- Correct SEC code used for each transaction
- Consumer vs. business account properly identified
- SEC codes are **not misused or interchanged**

### Common SEC Codes

- **PPD** – Consumer credits/debits
- **CCD** – Business-to-business credits/debits
- **CTX** – Corporate payments with addenda

Originators must **not** use PPD for business accounts or CCD for consumer accounts. Misuse of SEC codes may result in rule violations and extended return exposure.

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## 4. Changes to Amount or Date

- Amount change** notice sent **10 calendar days** prior (consumer & business)
- Date change** notice sent **7 calendar days** prior (consumer only)
- Notice provided in writing (mail or electronic acceptable)

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## 5. Unauthorized Returns & Revoked Authorizations

- ACH debits need to **stop immediately** after:
  - Unauthorized return, or
  - Receiver revokes authorization

No further debits or re-presentments of unauthorized entries. A new authorization would need to be obtained.

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## 6. Notifications of Change (NOCs)

- NOCs acted upon **within 6 banking days** or before you send your next entry
- Account information updated promptly

An NOC is created by the Receiver's financial institution to notify the originator (via the bank) that:

- Previously valid information in an ACH entry is now outdated, wrong, or erroneous, and needs to be changed or corrected.
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## 7. ACH Returns, NSF Entries & Return Fees

### What Originators CAN Do

**Re-initiate an NSF return** (*R01 – Insufficient Funds, R09 – Uncollected Funds*) **only if:**

- The original ACH entry was **properly authorized**, and
- The authorization has **not been revoked**, and
- Re-initiation is consistent with the authorization terms

Follow Nacha re-initiation Rules:

- Reinitiate **no more than two (2) times** and **within 45 days** of return of original entry
- All reinitiated entries must include the description **“RETRY PYMT”** in the Company Entry Description field.

### Charge a return fee **ONLY** if:

- Return fees are **clearly disclosed in advance**
- Receiver **explicitly authorized** the return fee
- Authorization includes **how the fee will be collected** (e.g., separate ACH debit)
- Return fees are **NOT:**

- Charged without authorization
- Charged after authorization revocation
- Charged for unauthorized entries
- Hidden or undisclosed

Only **one return fee per returned entry** – Even if original entry returned NSF multiple times

**“RETURN FEE”** in the Company Entry Description field

Company name same as original entry

### Best Practices

- Limit NSF re-presentation attempts
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- Communicate with the Receiver before re-initiating
  - Maintain documentation of
    - Authorizations
    - Re-initiation attempts
    - Fee disclosures and approvals
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## 8. ACH Reversals (Corrections of Errors Only)

**\*If a reversing entry must be made, please contact the Bank for instructions.**

- Reversal used **ONLY** for:
  - Duplicate entry
  - Wrong dollar amount
  - Wrong Receiver
  - Wrong date (debit earlier than intended or credit later than intended)
- Reversal must be originated **within 5 banking days** of original settlement
- Reversal must be sent **within 24 hours** of discovering error
- Reversal cannot settle before the original file/entry settles, but it can settle on the same day
- Reversal entry must be for the full amount
- Reversal formatting:
  - Company Entry Description must say **“REVERSAL”**
  - Same Company ID, SEC Code, and Amount as original entry
- Reversal can **NOT be used** for:
  - NSF/insufficient funds
  - Customer disputes
  - Revoked or unauthorized entries

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 their account. However, a payee does not need to authorize a reversing entry.

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## 9. Prenotifications (Prenotes)

Prenotes are **optional** zero-dollar entries that precede the first live entry. The purpose of a prenote is to verify account information.

- If used, prenote matches **same SEC code and account information**
  - Live entries cannot be initiated until **3 banking days** after the settlement of the prenote
  - Originator understands:
    - RDFI validates **account number only**
    - No response does **not guarantee** future entries will post
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Prenotes are **not a substitute** for authorization

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**10. ACH File & Entry Requirements**

- Company Name field contains name **recognized by the Receiver**
- Company Entry Description is accurate (e.g., **PAYROLL**,)

*Beginning **March 20, 2026**, all ACH Originators must use the Company Entry Description **“PAYROLL”** when sending **PPD credit entries** for payments related wages, salaries, bonuses or any similar type of compensation.*

Effective Entry Date is valid (not a Federal holiday)

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**11. Data Security & Fraud Controls**

- Non-public personal and financial information protected
- Access to ACH systems restricted
- Fraud monitoring and risk-based controls are implemented

*The NACHA Fraud Monitoring Rule requires all Originators to implement risk-based processes and procedures to identify ACH entries initiated due to fraud. These processes must be reasonably intended to identify entries that are suspected of being unauthorized or authorized under False Pretenses. The rule mandates that these processes be reviewed annually to ensure they remain effective and up to date with evolving fraud activity.*

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**Final Acknowledgment**

- ACH Origination complies with **Nacha Rules, applicable laws, and the ACH Agreement**
- Staff involved in ACH origination are trained on these requirements
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**To ensure compliance, all ACH Originators must have access to a current copy of the *Rules*.**

Nacha offers a free online version of the 2026 Nacha Operating Rules & Guidelines. You can access a free copy of the 2026 Nacha Rules at: <https://nachaoperatingrulesonline.org/>

- Follow the prompts to create an account and sign in
  - Helpful Tips:
    - Under Organization Type, select “Corporate End User”
    - Under Affiliation, choose “Non-Member”
- Once signed in, select Resources to access a free (basic) copy of the rules or purchase a more interactive version from this site.