



Independence BANK

Banking on the Hi-Line

ACH Originator Quick Reference Guide

For ACH Originators

NACHA, The National Automated Clearing House Associations' Operating Rules govern the exchange and settlement of electronic funds transfers through the ACH Network. The following information has been provided so that you can become familiar with the ACH Operating Rules. This guide is not all encompassing and is not intended to be a replacement for the NACHA Rules and Guidelines.

The Rules are published annually and can be accessed at [2025 Nacha Operating Rules Online](https://www.nacha.org/2025-nacha-operating-rules-online). A copy of the rule book can also be purchased from NACHA in their eStore at www.nacha.org/estore/home. NACHA Rules are subject to change.

Here is some information to give you an overview of those rules.

GENERAL

- ACH entries are categorized as “consumer” or “corporate”
- ACH is a batch system (not real time)
- Once sent to the ACH Operator, entries are irrevocable
- ACH is capable of crediting or debiting checking or savings accounts, loans and general ledgers
- Most banks and credit unions receive ACH entries
- An ACH Originator is an entity or person that initiates either a Direct Deposit or Direct Payment transaction using the ACH Network.
- An Originating Depository Financial Institution (ODFI) is responsible for all the Entries Originated through the ODFI by an Originator.

GOVERNING RULES AND AGREEMENTS

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

- NACHA Operating Rules (www.nacha.org)
- Regulation E (for consumer entries)
- UCC4A (for corporate credits)
- Independence Bank Deposit Account Agreement
- Independence Bank ACH Agreement
- Bank/Corporate Agreements
- Customer Authorizations

ORIGINATOR RESPONSIBILITIES

- Obtain the proper authorizations – dependent on transaction type – and retain authorizations for two years past termination or revocation
- Provide authorizations to the ODFI within 5 days if requested, as the ODFI must provide a copy to the RDFI, if requested, within ten Banking days of the request.
- Protect the banking information received and control access to this data
- Send entries on the proper date, an effective entry date is the date specified by the Originator on which it intends a batch of entries to be settled
- Cease subsequent entries when appropriate
- Ensure your computer and you are protected by following the guidelines in the Independence Bank ACH Agreement
- Give appropriate notice to debtor if changing amount or date.

DIRECT DEPOSIT PAYROLL AUTHORIZATIONS (CONSUMERS)

- The Bank recommends you use direct deposit authorization forms that allow the company to debit the employee's account for adjustments. The forms may also be used to collect the proper employee account information.
- The most common SEC code for direct deposit is PPD

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

CONSUMER CREDIT AUTHORIZATIONS

- Consumers may provide authorization for credit entries in writing, or they may be provided orally.
- The most common SEC code for consumer debits is PPD

CORPORATE AUTHORIZATIONS

- For companies, there must be an agreement between the two parties, but rules do not define what business practices constitute agreements. Independence Bank recommends that you have the company complete an authorization form.
- Originators must obtain all consents and authorizations required under the Rules and retain such authorizations for two years after they expire.
- The most common SEC code for corporate entries is CCD (debit and credit)

CHANGING DATE OR AMOUNT OF DEBITS

- ACH Rules requires an Originator to notify the account holders in writing of any changes in date or amount debited under the following circumstances:
 - Seven (7) calendar days' notice for a **change of date** prior to the date on which the entry is scheduled (consumer and corporate)
 - Ten (10) calendar days' notice for a **change in amount** prior to the date on which the entry is scheduled (consumer only)
- Sending the notice via U.S. Mail is acceptable

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. However, if sent, the prenote must *precede* the first live entry by at least three 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. Understand there is still a risk if the subsequent entry debits or credits the wrong account (this is true for all originations, not just prenotes).

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 an Originator to make the change within six (6) Banking days of receiving the information or before the next entry is sent.
- The Receiving Bank warrants that the information they provide is correct
- Independence Bank will notify you of any NOCs received on your behalf
- If the changes are not completed before the next entry is sent, the receiving bank has the right to return the ACH entry.
- Independence Bank 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. Returns that are unauthorized beyond the 24 hours are the company's liability and any disputes may have to be settled outside the banking network. The Bank 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 posting.
- The use of consumer (PPD) or corporate (CCD) entry codes determines applicable ACH return rules.
- If the Receiving Bank receives a dispute claiming a debit was unauthorized, the Receiving Bank must get a signed Written Statement of Unauthorized Debit from the Account holder. You may obtain a copy of that statement by requesting through Independence Bank.
- The ACH Rules require that Originators must cease the origination of any ACH debit transactions when a previous debit was returned as unauthorized or authorization revoked.
- 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". Return entries must be sent in a separate batch and contain identical Company Name, Company ID, and Amount as the original entry. **Re-initiated entries must contain "RETRY PMT" 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.

REVERSALS

- Reversals may only be made for the following conditions: 1) wrong dollar amount, 2) wrong account, 3) duplicate transaction
- If a reversing entry must be made, please contact Independence Bank for instructions.
- The reversing entry must be for the full amount, must be sent within five Banking days of original entry and within 24 hours of discovering the error.
- For wrong amount or wrong account reversing entries, a correcting entry must also be sent.
- 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/her account. However, a payee does not need to authorize the reversing debit.

OFAC

- You are required to check payees against the OFAC SDN list at www.treas.gov/offices/enforcement/OFAC
- The Office of Foreign Asset Control (OFAC) lists countries, groups and individuals that U.S. companies are not permitted to send or receive funds.
- It is against the law to send debit or credit entries to OFAC blocked entities.

ACH SECURITY FRAMEWORK

This rule establishes the minimum data security obligations for ACH Originators to protect sensitive data and access controls.

KEY REQUIREMENTS

- Protection of sensitive data and access control (both the ACH Originator and Independence Bank must have policies and procedures)
- Self-Assessment (bank only)
- Verification of Third-Party Senders and Originators (bank only)
- If you are an Originator, Third-Party Sender, or Third Party Service Provider it is your responsibility to determine if existing policies, procedures, and systems are sufficient to comply with the ACH Security Framework Rules. If you do not have such policies, procedures and systems in place, you will need to establish and/or update policies, procedures, and systems to ensure compliance. Additionally, if you are a Third-Party Sender or Third-Party Service Provider, you will need to add such verification to your annual Rules Compliance Audit.
- www.nacha.org

*For additional information call Independence Bank
(800)823-2274 or (406)265-1245*