

ACH (AUTOMATED CLEARING HOUSE) ORIGINATION

ACH transactions are sent through a network governed by NACHA. NACHA sets the rules for all participants in the network in order to ensure payments are sent and received safely and efficiently. As an originator, you are required to abide by NACHA rules when using the network. A copy of the NACHA Rules can be found at www.achrulesonline.org. Some of the requirements dictated by the rules are:

- 1) An originator must obtain permission to send payments to the recipient via ACH. Copies of that permission must be maintained for at least 2 years after termination of authorization. If requested, a copy of the permission must be provided to the bank receiving the transaction
- 2) Payments are identified by the network by their SEC Code. Advantage Business Checking accounts can send payments to consumer accounts (SEC code is PPD) or non-consumer accounts (SEC code is CCD). Common payments include direct deposit of payroll (PPD) and vendor payments (CCD). The reason for the different codes is that there are different rules associated with the different payment types. For example, PPD transactions can be returned 60 calendar days after settlement date, while CCD transactions can be returned 2 business days after settlement date. The correct SEC code must be used when originating transactions.
- 3) The originator is responsible for updating information regarding ACH recipients. If an account is closed or an account number is entered inaccurately the originator will receive a “notice of change” and will be required to update the information before resubmitting the transaction. If the erroneous information is included in a template, that template will be ‘locked’ until the information is corrected or deleted.