



ACH Network Rules Pandemic-Related Frequently Asked Questions

Updated August 26, 2020

Nacha has developed the following FAQs based on information it has provided, information it has learned, and inquiries posed to Nacha by industry participants. Newly added or revised FAQs are shown at the beginning of each section by date, followed by those previously published.

RDFIs

Added August 26, 2020

1. Our RDFI has noticed small credits from the IRS posting to customer accounts. Are these payments legitimate?

Yes. Last week the Treasury Department and the Internal Revenue Service began sending interest payments to about 13.9 million individual taxpayers who timely filed their 2019 federal income tax returns and are receiving refunds.

The interest payments, averaging about \$18, will be made to individual taxpayers who filed a 2019 return by this year's July 15 deadline and either received a refund in the past three months or will receive a refund. Most interest payments will be issued separately from tax refunds.

In most cases, taxpayers who received their refund by direct deposit will have their interest payment direct deposited in the same account. About 12 million of these payments will be direct deposited.

Please see <https://www.irs.gov/newsroom/13-point-9-million-americans-to-receive-irs-tax-refund-interest-taxable-payments-to-average-18-dollars>

Added June 2, 2020

2. If an RDFI is returning an unemployment insurance ACH credit entry because the RDFI believes the entry is fraudulent, what Return Reason Code should the RDFI use?

If there is no Return Reason Code that exactly matches the reason for the return, the Nacha Operating Rules allow the RDFI to select the Return Reason Code that most closely approximates the reason for the return. In this scenario, Return Reason Code R03 (No Account/Unable to Locate Account), R17 (File Record Edit Criteria/Entry with Invalid Account Number Initiated Under Questionable Circumstances), or R23 (Credit Entry Refused by Receiver) may be acceptable options. Please note that this use of R17 requires "QUESTIONABLE" to be inserted in the first twelve positions of the Addenda Record.

3. Can the RDFI return partial amounts via ACH?

An ACH Entry cannot be returned with only partial funds. The Nacha Operating Rules require return entries to contain the same dollar value as the original forward entry. The partial return of funds can be handled outside of the ACH Network (e.g., with a wire transfer or an official check), or with a new ACH credit entry agreed to by both institutions to return the available amount.

4. Under the Nacha Operating Rules, are RDFIs liable for funds resulting from fraudulent ACH credit entries if the funds are no longer available in the Receiver's account?

No. Under the Rules, the ODFI warrants to the RDFI that the entry is correct and properly authorized. If the RDFI posts a fraudulent credit to the account number in the entry, and the funds are withdrawn, the RDFI is not liable for the funds.

Added May 20, 2020

5. When can Social Security and Supplemental SSI beneficiaries with representative payees expect to receive their Economic Impact Payments?

The Social Security Administration has advised that beneficiaries with representative payees will begin receiving their payments from the IRS in late May. For beneficiaries living in U.S. territories – American Samoa, Guam, Puerto Rico, the Northern Mariana Islands and the U.S. Virgin Islands - special rules apply. In general, the tax authority in each territory will pay the EIP to eligible

residents based on information provided by the IRS. It is expected that beneficiaries in the territories could begin receiving EIPs in early June.

Please see: <https://www.ssa.gov/news/press/releases/2020/#5-2020-1>

6. Are EIPs distributed via other methods in addition to ACH credits and checks?

Beginning the week of May 18, 2020, the Treasury and IRS began sending nearly 4 million EIPs by prepaid debit card instead of paper check. These cards can be used to make purchases, get cash from in-network ATMs and transfer funds to personal bank accounts without the card holder incurring any fees.

Please see: <https://home.treasury.gov/news/press-releases/sm1012>

Revised May 8, 2020

7. How should the RDFI handle an Economic Impact Payment to the account of a customer that is deceased, incarcerated or a non-resident alien?

On May 6, 2020, the Internal Revenue Service advised that individuals who are incarcerated, non-resident aliens, or who died before the payment was received are not entitled to an Economic Impact Payment. The individual or their representative should return the payment via check to the IRS. The IRS has not said that a bank or credit union has any obligation to return funds from an ACH Direct Deposit paid to a deceased, incarcerated or non-resident alien person.

Please see <https://www.irs.gov/coronavirus/economic-impact-payment-information-center#more>

Revised May 4, 2020

8. When will funds from Economic Impact Payments be available to consumers?

The Treasury's Bureau of the Fiscal Service began transmitting its latest round of Economic Impact Payments to the ACH Network on Friday, May 1, 2020. Nacha has been told there will be roughly 3.9 million Direct Deposits with a settlement date of May 6, 2020.

Of the total 120 million Economic Impact Payments paid through April 29, 2020, 105 million were transmitted via ACH.

The Bureau of the Fiscal Service anticipates continuing to transmit Economic Impact Payments via the ACH Network every Friday, with funds available early the following week, as additional payment information becomes available.

The general rule is that RDFIs are to make funds related to ACH credits available for withdrawal in the customer's account no later than the settlement day stated in the processing file. More specifically, RDFIs must make available for cash withdrawal by 9am (RDFI local time) on the settlement date any credit entries that are made available to the RDFIs before 5pm (RDFI local time) on the day before the settlement date.

Previously Published

9. How can individuals who do not file tax returns get their Economic Impact Payments?

The IRS has launched a new website to enable people who don't normally file a tax return enroll for Economic Impact Payments. For further information, please see the IRS press release: <https://www.irs.gov/newsroom/treasury-irs-launch-new-tool-to-help-non-filers-register-for-economic-impact-payments>

10. Are the Economic Impact Payments exempt from an RDFIs right to offset?

Because the Economic Impact Payments are considered tax refunds, we do not believe these payments are exempt from a financial institution's right to offset. However, a financial institution should consider the potential reputational risk that could accompany acting on offsets at this time.

11. How will the IRS-Treasury economic impact payments be identified?

Economic impact payments will be formatted identically to any other IRS ACH tax refund credit entry (including an individual's Social Security Number). The Company Name will be 'IRS TREAS 310'. The Company Entry Description for these payments will be 'TAX REF'. Please note that the U.S. Treasury created seven new Company ID values, for a total of 10, to be used by the IRS.

12. Can RDFIs post payments from the U.S. Treasury based on account number only?

Yes. Nacha Rules Subsection 3.1.2 states in full that “An RDFI may rely solely on the account number contained in an Entry for the purpose of posting the Entry to a Receiver’s account, regardless of whether the name of the Receiver in the Entry matches the name associated with the account number in the Entry.” Furthermore, the Green Book, Chapter Two, pages 2-5 and 2-6 states, “It is important to note that a financial institution is not required to manually verify that the name on the ACH entry matches the name on the account at the time the payment is posted. An RDFI is only liable for posting the payment to the account in the ACH credit entry.”

If an RDFI becomes aware that a payment was misdirected to a wrong account, either by an accountholder, a government agency, or through its own research, it is required to notify the sending agency. Notification could be through proper return of the ACH entry or by contacting the agency. If it deems possible, the RDFI may make an internal correction and provide the agency with an NOC; however, the RDFI is liable for the corrected information.

Please see: <https://fiscal.treasury.gov/reference-guidance/green-book/chapter-2.html>

13. What should an RDFI do if a U.S. Treasury payment is to a closed account?

According to information in the Green Book (page 4-2), the RDFI should return the payment. The Green Book states in Chapter 4 that all ACH payments must be returned in accordance with the Nacha Operating Rules and Guidelines, including when an account is closed or does not exist. Most ACH returns to the IRS will result in a paper check being issued; therefore, RDFIs must make appropriate use of Return Reason Codes.

Please see: <https://fiscal.treasury.gov/reference-guidance/green-book/chapter-4.html>

14. Will the IRS-Treasury economic impact payments be exempt from garnishment?

RDFIs should be aware that these payments will be issued and formatted as IRS tax refund credits, and therefore Nacha assumes that the same rules will apply to these payments as for other tax refund credits. They may be subject to certain U.S. Treasury offset requirements prior to being sent to the RDFI, such as for child support orders. The Green Book describes the formatting convention that the Treasury would use in the event that it determines the payments to be exempt.

15. May participants in the IRS Refund Return Opt-In Program apply those program rules to IRS-Treasury economic impact payments?

As these payments will be indistinguishable from any other IRS tax refund credit, RDFIs that are participants in the IRS Refund Return Opt-In Program may utilize the opt-in program rules to return potentially erroneous or questionable payments for up to 60 calendar days using Return Reason Code R17. RDFIs that do not currently participate in the opt-in program can sign up at any time. (Note: program rules contained in participation agreement)

Please see: <https://www.nacha.org/content/additional-ach-programs-and-resources>

16. Are Economic Impact Payments Subject to Reclamations?

While the U.S. Treasury has not publicly addressed this question, Nacha assumes at this time that because the payments are considered tax refunds and not Federal benefit payments, that the Treasury's reclamation rules do not apply. However, RDFIs should know that the payments may be subject to U.S. Treasury offset programs.

17. Can the RDFI extend the 14-day timeframe before a verbal stop pay order expires?

A verbal stop pay order does not automatically expire after 14 days. Article Three, Subsection 3.7.1.3 states that the RDFI may request written confirmation of a verbal stop pay order within 14 days. Such a confirmation is not required by the Rules. RDFIs may choose to modify their business procedures to not require a written confirmation of a verbal stop pay order.

18. A nursing home as representative payee of Social Security payments has instructed the RDFI to return the payments, as the beneficiary has left the nursing home. Which Return Reason Code should the RDFI use?

R14 – Representative Payee Deceased or Unable to Continue in that Capacity.

19. Can an RDFI block reversing debit entries if requested to do so by a Receiver?

No. Reversals are an important tool to allow Originators to correct errors and do not require Receiver authorization. If an RDFI receives a reversing debit, and the funds are available, the RDFI should post the entry. If the Receiver makes a claim that the reversal was not in accordance with Article Two, Subsection 2.9.1 of the

2020 Nacha Operating Rules, or otherwise provides information that would lead the RDFI to believe this, then the Receiver can complete a WSUD and the RDFI can return the debit using Return Reason Code R10 (or R11 as of April 1, 2020).

20. How can an RDFI comply with the rule to obtain the consumer Receiver's signature on the Written Statement of Unauthorized Debit when many communities are under stay at home orders?

In ACH Operations Bulletin #5-2020, Nacha provides relief to RDFIs on the WSUD signature requirement by not enforcing the signature or similar authentication requirement until further notice. RDFIs that have the ability for consumers to similarly authenticate signatures by remote channels such as online and by telephone should continue to do so.

21. If an RDFI has received a request for a copy of a Written Statement of Unauthorized Debit and cannot provide the copy to the ODFI within in ten Banking Days due to the pandemic, will the RDFI be subject to a rules violation?

In ACH Operations Bulletin #3-2020, Nacha provides temporary relief to RDFIs from the 10 Banking Day deadline for providing copies of WSUDs to ODFIs. For the duration of the National Emergency, Nacha will refrain from recommending enforcement penalties when a copy of a WSUD is provided beyond the existing 10 Banking Day timeframe, but within 20 Banking Days. Nacha encourages RDFIs to fulfill such obligations as quickly as time permits.

22. When can RDFIs expect to begin receiving Direct Deposits from the recently passed emergency economic stimulus legislation?

According to the IRS, "economic impact payments" should begin in "the next three weeks." RDFIs could begin seeing payments as early as the week of April 6.

23. An increasing number of our consumer customers are asking our financial institution to place stop payment orders on all their future scheduled mortgage payments. Can we do this?

Article Three, Subsection 3.7.1.1 requires the RDFI to honor a stop payment order from its consumer Receiver. Stopping payment on all future debits from a particular Originator is essentially a revocation of the authorization for those debits, which the Receiver should do by directly contacting the Originator.

If the RDFI receives an order from a consumer to stop all future payments relating to a specific authorization involving a specific Originator, Article Three, Subsection

3.7.1.3 allows the RDFI to require the Receiver to confirm in writing that the Receiver has revoked the authorization given to the Originator.

Many lenders are offering relief from immediate payment obligations; RDFIs may want to direct customers with hardships to work directly with their lenders.

24. Some business customers have asked our financial institution to stop all future debits from certain Originators. Can we do this?

Stopping all future debits relating to a specific authorization involving a specific Originator is essentially a revocation of the authorization. Although Article Three, Subsection 3.7.2 requires an RDFI to honor a proper stop payment order on a business account, in the case of a revocation of the authorization, the correct course of action is to revoke the authorization directly with the Originator.

As with consumer loans, many lenders are offering relief from immediate payment obligations; RDFIs may want to direct customers with hardships to work directly with their lenders.

25. We have received requests from some business clients asking our financial institution to return all debits from all Originators, and to ensure that no debits post to their accounts. Can we honor these requests?

Although RDFIs may offer “debit blocks” or “debit filters” as a service to their business customers, these options are designed to protect the account against unauthorized debits. Debit blocks and filters are not intended to block the flow of legitimate payment activity. If a Receiver cannot meet its obligation to an Originator, the correct course of action is to deal directly with the Originator.

ODFIs

Added May 5, 2020

26. We originate POS Entries. Our customers do not want to touch the point-of-sale terminal to enter a PIN. Do our customers have to enter PINs?

The Nacha Rules currently provide for the origination of POS Entries at electronic terminals. Originators that issue ACH debit cards to initiate POS Entries commonly meet the “signed or similarly authenticated” standard of an ACH debit authorization through the use of a PIN in conjunction with the card.

Nacha understands that entering PINs in conjunction with initiating POS Entries might not be possible while physical distancing recommendations are in effect. Therefore, in light of CDC recommendations and various state and local stay-at-

home orders, effective immediately Nacha will not enforce the signed or similarly authenticated requirement for the authorization of POS Entries when Originators elect not to ask customers to enter a PIN.

Originators must still meet all the other requirements of POS Entries. Originators should understand that without a PIN or some other form of authentication beyond customer possession of the physical card they might have more difficulty defending a claim that the POS Entry was unauthorized and might face an elevated risk of return. Nacha will continue to monitor the situation and post advance notice on this site before retracting this position.

Previously Published

27. If a business is facing a cash shortfall, can it use the Reversal process to claw back previous salary and wage payments to employees made via ACH or payments made to vendors or suppliers via ACH?

No. The Nacha Operating Rules permit reversals only for a limited set of circumstances to correct errors. The 2020 Nacha Operating Rules list the specific circumstances in Article Two, Subsection 2.9.1.

28. If an Originator does not have sufficient funds for an already released ACH credit file, can the credit file be reversed?

No. A client's failure to fund an ACH file is not a valid reason for reversal under the Rules. This is true whether the client is an ODFI's direct customer or is the customer of an ODFI's Third-Party Sender customer. ODFI's must work with their Originators to ensure proper funding has been addressed when originating credit files.

29. If a Third-Party Sender's payroll customer cannot fund the payroll, but the payroll credit file already has been released, can the Third-Party Sender reverse the payroll credit file?

No. Failure of an Originator to fund its credit file is not a valid reason for the Third-Party Sender to reverse the file. As with ODFI's, Third-Party Senders must work with their customers to ensure proper funding has been addressed when originating credit files.

30. If an Originator needs extra time to provide a Proof of Authorization due to the pandemic, does the Originator have to request that relief from the ODFI under ACH Operations Bulletin #3-2020, or is it automatically granted?

For the duration for the National Emergency, Nacha will refrain from recommending enforcement penalties when a Proof of Authorization is provided beyond the existing 10 Banking Day timeframe, but within 20 Banking Days. The ODFI can determine how best to administer this relief. Nacha encourages ODFIs and their Originators to fulfill such obligations as quickly as time permits.

31. We originate POP Entries. Our customers don't want to touch the POS device and the electronic pen to sign the EFT authorization. Do we still have to get the signature?

The Nacha Rules currently provide for the origination of POP Entries through a notice plus a written authorization, which must be signed or similarly authenticated. Nacha understands that obtaining signatures might not be possible while physical distancing recommendations are in effect. Therefore, in light of CDC recommendations and various state and local stay-at-home orders, effective immediately Nacha will not enforce the signature requirement for the authorization of POP Entries.

Originators must still meet all the other requirements of POP Entries. Originators still must display or provide the ACH authorization language to the customer (the Receiver); obtain affirmative authorization to debit the Receiver's account, such as by oral confirmation; and provide a copy of the notice and the voided Source Document to the Receiver. Originators should understand that without a signature they might have more difficulty defending a claim that the POP Entry was unauthorized and might face an elevated risk of return. Nacha will continue to monitor the situation and post advance notice on this site before retracting this position.

32. Our financial institution has an Originator that debits its customers' accounts each month for a membership fee. Since they temporarily closed due to stay-at-home orders, we have noticed an increasing number of the debits have been returned for insufficient funds, stop payments or as unauthorized entries. Are we at risk of a Nacha rule violation since our customer is experiencing more returns?

ACH Operations Bulletin #6-2020 discusses the relief Nacha will provide regarding potential rules violations for elevated return rates and levels during the National Emergency. Nacha will provide relief on a case-by-case basis after considering a number of factors, some of which are outlined in the Operations Bulletin.

Nacha encourages all businesses that originate pre-authorized ACH debits, to the extent possible, to communicate clearly with their customers about how they will handle pre-authorized ACH debits during periods of service interruption.

General

Added August 26, 2020

33. Can anything be done to help a recipient of federal benefits who did not provide information in time to receive the \$500 per child Economic Impact Payment earlier this year?

The IRS has announced that it will reopen the registration period for certain people who receive Social Security retirement, survivor or disability benefits, Supplemental Security Income (SSI), Railroad Retirement benefits and Veterans Affairs Compensation and Pension (C&P) benefits. The registration period is from August 15 through September 30.

Please see <https://www.irs.gov/newsroom/irs-takes-new-steps-to-ensure-people-with-children-receive-500-economic-impact-payments>

Added May 20, 2020

34. How many Economic Impact Payments have the Treasury and IRS distributed?

Of the 141 million EIPs distributed through May 15, 2020, 114 million were transmitted via the ACH Network, with the remainder sent via check. The total dollar value paid through May 15 was \$238.8 billion. The IRS expects to distribute 95% of the EIPs by the end of May.

Revised April 24, 2020

35. What relief does the CARES Act offer to health care providers?

The CARES Act provides for \$100 billion in relief funds to hospitals and other healthcare providers on the front lines of the coronavirus response. This funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19 and to ensure uninsured American can get testing and treatment for COVID-19. An initial \$30 billion was paid beginning April 10, 2020 by ACH credit.

A second round of \$20 billion will be distributed to Medicare facilities and providers by ACH beginning on Friday, April 24, 2020. Payments will go out weekly thereafter, as information is validated. Assuming the same payment flow as the

initial round, these payments will be made using account information on file via Optum Bank as the ODFI with "HHSPAYMENT" as the payment description.

Providers that normally receive a paper check for reimbursement from CMS will receive a paper check in the mail for this payment within the next few weeks.

Please see: <https://www.hhs.gov/provider-relief/index.html>

Previously Published

36. Following the IRS lead, many state tax agencies recently have provided taxpayer relief by extending the deadline for remitting tax payments beyond April 15, 2020. However, some state taxpayers have already filed tax returns and authorized payment via ACH debit scheduled for April 15. Some state tax agencies, and third-party providers that accept state filings, have indicated the inability to change the date of these previously scheduled ACH debit payments. How might financial institutions be impacted by the inability of state tax agencies to change these payment dates?

RDFIs

RDFIs might begin receiving stop payment requests from customers (the taxpayers) that were unable to change their payment dates with a state tax agency. RDFIs should follow the Nacha Rules, as well as Regulation E requirements in the case of consumer requests, in acting on legitimate stop payment orders from their customers.

After these payments post, RDFIs might be contacted by customers (the taxpayers) who wish to return these payments back to the respective state. Nacha advises that the best return reason code to handle these requests from consumers is R11 (Customer Advises Entry Not in Accordance with the Terms of the Authorization).

ODFIs

ODFIs of state tax agencies might be contacted by their clients asking for any ideas or assistance in handling this situation, potentially including holding ACH files/entries so that they do not post on April 15th, or in creating ACH credit files to send refunds. ODFIs that hold and later submit stale-dated files on behalf of their clients must be cognizant of the time of day the file is submitted to the ACH Operator, as stale-dated files submitted in a same-day processing window will be processed as Same Day Entries.

State tax agencies might experience an elevated incidence of returns for these ACH debits.

A listing of COVID-19 related state filing extensions is at <https://taxadmin.memberclicks.net/covid-19-filing-extensions>.

37. Can the authenticity of a stimulus check be validated?

The U.S. Treasury has a validation service online that banks and credit unions can use to verify certain pieces of information on checks that appear to be Treasury-issued. For additional information, Nacha recommends referring to information issued by the U.S. Treasury.

38. To allow state governments sufficient time to become compliant with the Data Security Rule, Nacha agreed to not enforce the Rule for those state government Originators with transaction volume in excess of 6 million entries until the Phase 2 effective date of June 30, 2021. Now that the Phase 2 effective date has been extended to June 30, 2022, will Nacha provide enforcement relief to state governments until 2022?

No. State governments that meet the 6 million entry threshold will be expected to comply with the Rule no later than June 30, 2021.

39. Can a financial institution claim an excused delay if it is short staffed due to the Coronavirus?

ACH Operations Bulletin #2-2020 reviews the excused delay provision in Article One, Section 1.5 of the 2020 Nacha Operating Rules, and encourages financial institutions to review their business continuity plans. A delay caused by the failure of a financial institution to maintain or implement an appropriate business continuity plan is not excused under the Rules for that institution.

40. Will Nacha relax the 60 calendar day return time frame for unauthorized debits to consumer accounts during the National Emergency?

The 60 calendar day return time is still in effect and is confirmed in ACH Operations Bulletin #5-2020.

41. Will Nacha extend the effective dates for other rules that are implementing in 2020?

ACH Operations Bulletin #4-2020 affirms the effective dates of the Differentiating Unauthorized Return Reasons (April 1, 2020) and the ACH Contact Registry (October 30, 2020) rules.

42. What happens if a financial institution cannot submit to Nacha required information that is part of a rules enforcement proceeding within the required timeframe?

ACH Operations Bulletin #3-2020 states that Nacha's rules enforcement process can accommodate short extensions of required violation responses on a case-by-case basis.

43. The CARES Act of March 27, 2020 provides relief for student loan borrowers whose loans are owned by the Department of Education. How does the Act impact their loan payments?

According to the Department of Education, "payments will automatically stop from March 13, 2020, through Sept. 30, 2020." The Department also says that any payment that was made as of or after March 13, 2020 can be refunded by the loan servicer. In all cases regarding questions or refunds, the Department's directions to borrowers are to contact their loan servicers, and not their banks or credit unions.

For loan servicers and their ODFIs, the Department of Education's instructions are to refund payments, and not to refer borrowers to their own banks or credit unions. Nacha recommends refunding a payment that was made by ACH debit with an ACH credit. Loan servicers should not be referring borrowers to their banks or credit unions instead of handling payment refunds themselves. To the extent that loan servicers direct borrowers to their banks or credit unions, these RDFIs can return payments using an unauthorized code – R11 if the RDFI has implemented the capability to do so; or R10 if it has not.

The Department of Education's announcement and information are at <https://studentaid.gov/announcements-events/coronavirus>.