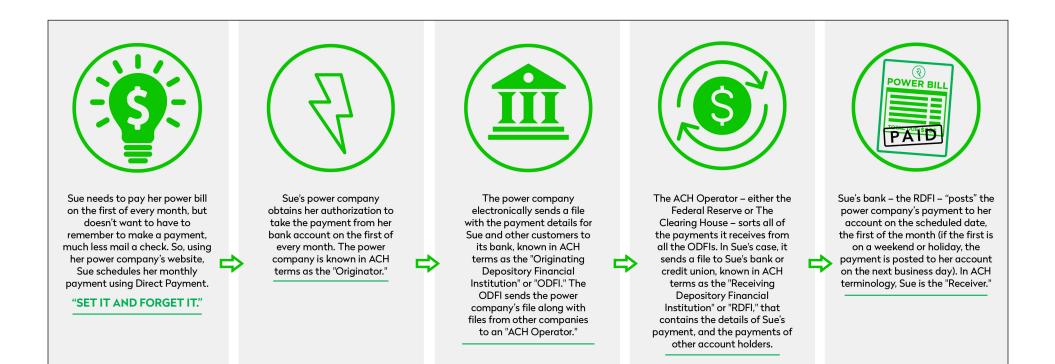
## How ACH Works



## ACH Debit Explained/Direct Payment



Direct Payment is the electronic transfer of funds to make payments – whether sending or receiving. It can be used to make one payment or set up automatic recurring payments. **Set it and forget it!** 

Direct Payment allows consumers to pay their bills or tuition, donate to a favorite charity, make a purchase, or send money to a friend or family member electronically from a checking or savings account.

## How ACH Works

## **ACH Credit Explained/Direct Deposit**





Joe works at XYZ Company.
When he began there, he
authorized the company to
send his salary, bonuses and
expense report reimbursements
by Direct Deposit.

To set up Direct Deposit, Joe provided his bank account information to XYZ Company's payroll department. Joe used his bank's mobile app to find his account information and the bank's routing number.



The XYZ Company's payroll manager entered Joe's bank account number and his bank's routing number into its payroll system.

Each time Joe is to be paid or reimbursed, instead of printing a check, XYZ Company creates and electronically sends a payment file to its bank. That file includes Joe's payment information, as well as the information for other employees being paid.

In ACH terminology, the XYZ Company is called the "Originator."



The XYZ Company banks with the 321 Bank, which in ACH terminology is called the "Originating Depository Financial Institution" or "ODFI."

The 321 Bank sends XYZ Company's payment file, along with payment files from other companies, to an "ACH Operator."

The ACH Operator – either the Federal Reserve or The Clearing House – sorts all the transactions payments it receives from all the ODFIs – sorts all the payments and ensures that they get to the right financial institution for every XYZ Company employee using Direct Deposit.



Joe electronically receives his money from his financial institution, known in ACH terms on the "Receiving Depository Financial Institution" or "RDFI." The same happened for every employee of XYZ Company signed up for Direct Deposit, regardless of the bank or credit union each uses.



Joe has his money available on time, at the opening of business on payday. In ACH terminology. Joe is known as a "Receiver."

Direct Deposit puts consumers in control of their finances and allows them to access their pay quickly. Direct Deposit is fast and reliable, and it's the way 93% of American workers get paid.

In addition to payroll, Direct Deposit can be used to receive: Travel and other employee expense reimbursements • Bonuses and commissions • Pension/401(k) disbursements • Annuities • Dividend and interest payments • Social Security and other government payments • Tax and other refunds