ACH Network Rules Pandemic-Related
Frequently Asked Questions
Updated April 15, 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 FAQs are shown at the beginning of each section by date, followed by those previously published.

RDFIs

Added April 15, 2020

1. How should the RDFI handle an Economic Impact Payment to the account of a deceased customer?

    While the U.S. Treasury has not publicly addressed this question, it is Nacha's understanding that the IRS has screened the Economic Impact Payments for eligibility. Since the payments are considered tax refunds, Nacha believes they are not subject to U.S. Treasury reclamations. Nacha believes that RDFIs can rely solely on the account number in posting the entry. Please see the related question below.

Previously Published

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

    The general rule is that RDFIs are to make funds 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.

    The settlement date for the first 81 million ACH payments will be April 15, 2020. The Treasury's Bureau of the Fiscal Service anticipates continuing to transmit Economic Impact Payments every Friday, with funds available early the following week, as additional payment information becomes available.

Please see https://home.treasury.gov/news/press-releases/sm975

3. 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

4. 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.

5. 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.

6. 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

7. 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

8. 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.

9. 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

10. 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.

11. 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.

12. 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.

13. 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).

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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

20. 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.

21. 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.

22. 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 ODFIs, Third-Party Senders must work

with their customers to ensure proper funding has been addressed, when originating credit files.

23. 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.

24. 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.

25. 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

26. 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 is now being paid out. Payments started arriving April 10, 2020 by ACH credit.

The Department of Health and Human Services has partnered with UnitedHealth Group (UHG) to provide rapid payment to providers eligible for the distribution of the initial $30 billion in funds. Providers will be paid via ACH with account information on file with UHG or the Centers for Medicare & Medicaid Services (CMS). RDFIs will see ACH payments to providers' accounts via Optum Bank 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 this payment within the next few weeks.

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

27. 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?

<u>RDFIs</u>
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).

<u>ODFIs</u>

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.

28. 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.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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.

34. 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.