ACH Network Rules Pandemic-Related
Frequently Asked Questions
Updated April 6, 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 in *underlined italics*.

RDFIs

1. 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.

2. 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.

3. 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).

4. 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.

5. 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.

6. 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.

7. *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.

8. *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.

9. *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

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. *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.