Opt-In Program for the Recovery of Fraudulent Unemployment Benefits

December 22nd, 2021

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Purpose

Nacha has created an Opt-In Program to better facilitate the return and recovery of fraudulent unemployment benefits originally paid by ACH credits (i.e., Direct Deposit)

Originating Depository Financial Institutions for state unemployment benefit agencies are able "opt-in" on behalf of those agencies

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Recovery of Unemployment Benefits - Background

Nacha and financial institutions want to make the return of funds easier to resolve cases in which state unemployment benefits payments were claimed fraudulently and sent to accounts at Receiving Depository Financial Institutions using ACH credits (i.e., Direct Deposit)
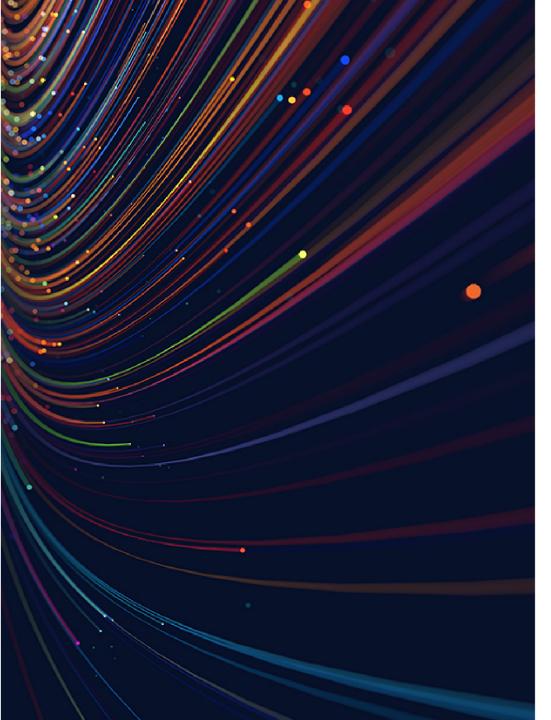
Many RDFIs have identified potentially fraudulent benefits and want to return funds

- Frequently, the full amount of the original ACH credit is not available to return, and so cannot be returned via an ACH "Return Entry," which must be for the full amount of the original Entry

States may have been overwhelmed by activity and the number of inquiries related to potentially fraudulent transactions

- Many RDFIs have been left in a position of holding funds they would like to send back to states, but lack the instructions, mechanisms, and indemnification to do so

Recovery of Unemployment Benefits Opt-In Program

The program defines a standard use and format of a new, forward CCD credit entry to enable the return of funds, including for partial amounts, from RDFIs to ODFIs

This would provide a method to send funds through the ACH Network, rather than issuing a check or sending a wire transfer (or not at all)

Recovery of Unemployment Benefits Opt-In Program - ODFIs

ODFIs for state unemployment agencies must opt-in to the program on behalf of the state agencies

- https://www.nacha.org/content/ach-programs-and-resources
  - ODFIs should contact amorris@nacha.org or NachaNetworkRules@nacha.org

- **ODFIs sign Opt-In Program participant agreements, designating for which states and how they will accept these Program Returns**
  - Full amounts
    - CCD standardized format (Program Rules); and/or
    - R06 Return
  - Partial amounts
    - CCD standardized format (Program Rules)

ODFI Instructions

- **Interested ODFIs should work with Nacha staff to complete the on-boarding process and obtain detailed instructions for completing the Opt-In Program Agreement.**

- **ODFIs must determine:**
  - Which state clients they are opt-ing in on behalf of
  - If any Company ID restrictions exist
  - Whether or not the ODFI will accept:
    - Funds without an account number
      - Routing information must be provided
    - Funds via an R06 return
    - Funds originated through another ODFI

- **Provide Participating States with instructions/reporting to identify received Program Returns**

Recovery of Unemployment Benefits Opt-In Program - RDFIs

RDFIs are allowed to send such Program Returns to a participating ODFI/state combination

- RDFIs are not required to sign participant agreements; but by sending Program Returns agree to the Opt-In Program rules

- Participating RDFIs must send Program Returns in accordance with the instructions provided by the ODFI in the full roster (available in the Nacha Risk Management Portal https://riskmanagementportal.nacha.org/Account/Login)
    - Note that some ODFIs may accept funds from other FIs or may not accept R06 returns, dictating conditions for the CCD Program return
    - Other eligibility conditions may exist

RDFI Instructions

- **Potential RDFIs must visit the program page first**
  - https://www.nacha.org/content/ach-programs-and-resources
    - Questions can be directed to amorris@nacha.org or NachaNetworkRules@nacha.org
  - RDFIs must obtain the following information:
    - A copy of the Opt-In Program Agreement and Rules must be downloaded and reviewed
    - Participating States on the simple roster
- **If the desired state is listed as participating on the simple roster, the RDFI must log into Nacha's Risk Management Portal (https://riskmanagementportal.nacha.org/Account/Login) to view the full roster**
- **Program Returns must be sent from the ODFI using the specified format in the Appendix One of the Program Agreement, in accordance with the full roster specifications and Program Rules**

Recovery of UB Opt-In Program Rules

Opt-In Program Rules:

- An RDFI can send a Program Return using the standardized CCD entry, as specified under the full roster

- The new CCD credit entry can be less than the amount of the original ACH credit (partial amount); or also can be for the full amount

- Program Returns are treated as an ODFI Request for Return under the Nacha Rules, in which the ODFI indemnifies the RDFI for the return of funds

- A Participating ODFI cannot return a new CCD entry that is a Program Return

- In addition to Program Returns as new CCD entries, RDFIs may also send the full amount of the original ACH credit via an R06 return, if the ODFI has indicated acceptance

- Program Returns (CCD and R06), in accordance with Program Rules, may be sent for two years after the settlement date of the original ACH credit

Recovery of UB Opt-In Program – Account Numbers

The Program Rules allow for a Participating ODFI and state to indicate a specific account number and Routing Number for Program Returns (CCD) to use, if desired

- Participating ODFIs must complete this information on Schedule 1 of the Program Agreement
  - An ODFI may specify that it will not accept Program Returns without an account number
  - Additional information:
    - Eligible Company IDs – Optional
    - Ability to accept Program Returns (CCD only) for any entry the State originated- Optional
  - The roster of program participants (ODFIs and states) is included on the program page on Nacha's website
    - The public roster includes instructions to access routing information in the Nacha Risk Management Database
  - The Risk Management Database provides RDFIs with the full roster information, including routing information from received Schedule 1s.

The Program Rules require account information be accessed only by RDFIs for the creation of a Program Return and must be treated/safeguarded by the RDFI as they would one of their own

Recovery of UB Opt-In Program – Formatting Standard

A Program Return is a new, forward CCD credit entry with a standardized addenda record

Batch Header

- The RDFI of the original ACH credit identifies itself as the ODFI and Originator of a new CCD entry in the Company Name, Company ID, and Originating DFI Identification fields
- The Company Discretionary Data field, if available, reads "PARTIAL FUNDS" or "FULL AMOUNT"
- The Company Entry Description reads "RECOVERY"
- The SEC Code is CCD

Entry Detail Record

- The ODFI of the original ACH credit is identified by its RTN in the Receiving DFI Identification field
- The Receiving Company Name is copied from the Company Name field of the original ACH credit
- The actual amount being remitted is entered
- The account number of the state agency that originated the original ACH credit is entered in the DFI Account Number field, if known

Recovery of UB Opt-In Program – Formatting Standard

A Program Return is a new, forward CCD credit entry with a standardized addenda record (continued)

Addenda Record

- The addenda record will include the standardized identifier of "RCV" (for "Recovery"), so that ODFIs receiving these Program Returns can properly identify them

- The addenda records copies key data elements from the original ACH credit to facilitate the correct application of the payment back to the originating state agency

- Original Entry Amount, Date, Trace Number, Company ID, and SEC Code

A full record layout follows

Program Format

"CCD+ format"

Company/Batch Header Record

1. Record Type Code = '5'
2. Service Class Code = '220'
3. Company Name = RDFI of original Entry
4. Company Discretionary Data = 'PARTIAL FUNDS' or 'FULL AMOUNT'
5. Company ID = assigned by FI (RDFI of original Entry/ODFI of Program Return[1])
6. SEC Code = CCD
7. Company Entry Description = 'RECOVERY'
8. Company Descriptive Date = optional
9. Effective Entry Date = assigned by FI (RDFI of original Entry/ODFI of Program Return)
10. Settlement Date = assigned by Operator
11. Originator Status Code = '1'
12. Originating DFI Identification = RDFI of original Entry RT
13. Batch Number = assigned by FI (RDFI of original Entry/ODFI of Program Return)

FIELD	1	2	3	4	5	6	7	8	9	10	11	12	13
DATA ELEMENT NAME	RECORD TYPE CODE	SERVICE CLASS CODE	COMPANY NAME	COMPANY DISCRETIONARY DATA	COMPANY IDENTIFICATION	STANDARD ENTRY CLASS CODE	COMPANY ENTRY DESCRIPTION	COMPANY DESCRIPTIVE DATE	EFFECTIVE ENTRY DATE	SETTLEMENT DATE (JULIAN)	ORIGINATOR STATUS CODE	ORIGINATING DFI IDENTIFICATION	BATCH NUMBER
Field Inclusion Requirement	M	M	M	O	M	M	M	O	R	Inserted by ACH Operator	M	M	M
Contents	'5'	Numeric	Alphameric	Alphameric	Alphameric	Alphameric	Alphameric	Alphameric	YYMMDD	Numeric	Alphameric	TTTTAAAA	Numeric
	'5'	'220'		'PARTIAL FUNDS' OR 'FULL AMOUNT'		CCD	'RECOVERY'		(next day)		1		
Length	1	3	16	20	10	3	10	6	6	3	1	8	7
Position	01-01	02-04	05-20	21-40	41-50	51-53	54-63	64-69	70-75	76-78	79-79	80-87	88-94

Program Format

"CCD+ format"

Entry Detail Record Default

1. Record Type Code = '6'
2. Transaction Code = '22'
3. Receiving DFI Identification = RT of original Entry ODFI[1]
4. Check Digit = RT of original Entry ODFI
5. DFI Account Number = '123456789' [1]
6. Amount = amount actually being sent
7. Identification Number = copy from contents of original Entry or Individual/Receiving Company Name field
8. Receiving Company Name = Company Name field contents from original Entry
9. Discretionary Data = ? (2 char)
10. Addenda Record Indicator = '1'
11. Trace Number = assigned by FI (RDFI of original Entry/ODFI of Program Return)

[1]Utilize if specific routing information is not provided in the full roster

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FIELD		1	2	3	4	5	6	7	8	9	10	11
DATA ELEMENT NAME		RECORD TYPE CODE	TRANSACTION CODE	RECEIVING DFI IDENTIFICATION[1]	CHECK DIGIT[2]	DFI ACCOUNT NUMBER[1]	AMOUNT	IDENTIFICATION NUMBER[3]	RECEIVING COMPANY NAME[4]	DISCRETIONARY DATA[1]	ADDENDA RECORD INDICATOR	TRACE NUMBER
Field Inclusion Requirement		M	M	M	M	R	M	O	O	O	M	M
Contents		'6'	Numeric	TTTTAAAA	Numeric	Alphameric	$$$$$$$$¢¢	Alphameric	Alphameric	Alphameric	Numeric[1]	Numeric
		'6'	'22'			(blank)					'1'	
Length		1	2	8	1	17	10	15	22	2	1	15
Position		01-01	02-03	04-11	12-12	13-29	30-39	40-54	55-76	77-78	79-79	80-94

[1] Routing and Transit Number of original Entry ODFI

[2] Routing and Transit Number of original Entry ODFI

[3] Copy from Identification Number Field of original Entry OR populate with Individual Name field contents

[4] Copy from Company Name Field of original Entry

Program Format

"CCD+ format"

New Addenda Record

1. Record Type Code = '7'

2. Addenda Type Code = '05'

3. 'Identifier'= RCV

4. Entry Amount = contents of amount field from

    original Entry

5. Original Entry Trace Number = contents of

    Trace Number field from original Entry

6. Original Entry Date = contents of the

    Effective Entry Date from original Entry

7. Original Company ID = contents of Company Identification field from original Entry

8. Original SEC Code = SEC Code of original Entry

9. Reserved = blank

10. Addenda Sequence Number = '0001'

11. Entry Detail Sequence Number = assigned by FI (RDFI of original Entry/ODFI of Program Return)

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FIELD		1	2	3	4	5	6	7	8	9	10	11
DATA ELEMENT NAME		RECORD TYPE CODE	ADDENDA TYPE CODE	'IDENTIFIER'	ENTRY AMOUNT[1]	ORIGINAL ENTRY TRACE NUMBER[2]	ORIGINAL ENTRY DATE[3]	ORIGINAL COMPANY IDENTIFICATION	ORIGINAL STANDARD ENTRY CLASS CODE[4]	RESERVED	ADDENDA SEQUENCE NUMBER	ENTRY DETAIL SEQUENCE NUMBER
Field Inclusion Requirement		M	M	M	R	R	R	R	R	N/A	M	M
Contents		'7'	Numeric	Alphameric	$$$$$$$$¢¢	Numeric	YYMMDD	Alphameric	Alphameric	Blank	Numeric	Numeric
		'7'	'05'	'RCV'						(blank)	'0001'	
Length		1	2	3	10	15	6	10	3	33	4	7
Position		01-01	02-03	04-06	07-16	17-31	32-37	38-47	48-50	51-83	84-87	88-94

[1] Copied from the Amount field of the Entry Detail Record of the original Entry,

[2] Copied from the Trace Number field of the Entry Detail Record of the original Entry

[3] Copied from the Effective Entry Date field of the Entry Detail Record of the original Entry

[4] Copied from the Standard Entry Class Code field of the Batch Header Record of the original Entry