



Authorization Requirements for Direct Withdrawal via ACH



Direct withdrawal via ACH for sustaining consumer donors can be authorized by mail, over the telephone, or on a website. With each option there are specific payment types and authorization requirements. The following fact sheet outlines the authorization requirements for each option. These requirements are specific to recurring ACH debits and the requirements may vary for a one-time debit.

Direct withdrawal via ACH payments are processed through the Automated Clearing House, an electronic network at the center of commerce in the U.S. that moves money and information from one bank account to another through direct deposits and direct payments. Direct withdrawal via ACH is a type of electronic payment in which funds are withdrawn or debited from a donor's checking or savings account and transferred electronically to your organization. It serves as an efficient means for nonprofit organizations to collect donations.



Learn more about how your organization can benefit from direct withdrawal via ACH.

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General Authorization Requirements for Consumer Debits

In general, the nonprofit must obtain the consumer's authorization to initiate debits through the ACH Network to the consumer's account. The authorizations must (1) be readily identifiable as an ACH authorization; (2) have clear and readily understandable terms; and (3) provide that the consumer may revoke the authorization only by notifying the nonprofit in the manner specified in the authorization.

The following is a list of minimum requirements for consumer authorizations for all recurring debit entries:

- account numbers and routing numbers must be accurately stated;
- must indicate whether the account number is directed to a checking or savings account; and
- the authorization must be for both debit and credit entries to allow for correction of processing errors.



All debits to consumer accounts must be authorized by the consumer in writing, and signed or similarly authenticated by the consumer. Originators of debit entries to consumer accounts must comply with the following criteria to ensure proper authorization of consumer debits.



Special Authorization Requirements

The nonprofit must obtain the consumer's authorization. This authorization may be sent to the consumer by mail, fax, or internet/online network, or it may be provided to the consumer in person.

The following outlines additional requirements for authorizations received from the consumer by telephone and web/internet.

- **Authorization by telephone** – If the consumer authorizes the recurring ACH over the telephone to similarly authenticate the written authorization by speaking or key entering a code identifying himself, the consumer must have a paper authorization in his possession, which he should retain as his copy of the authorization.

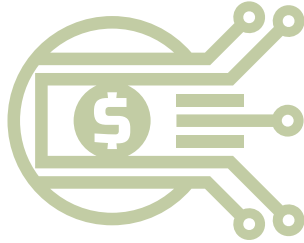
The consumer's authorization may be obtained orally via the telephone for debits where there is (1) an existing relationship between the nonprofit and the consumer, or (2) if no existing relationship between the nonprofit and consumer, but the consumer has initiated the telephone call to the nonprofit. For recurring ACH debits, the nonprofit must make an audio recording of the consumer's oral authorization and provide the consumer with a written copy of the authorization prior to the date of the first debit.

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In addition to the general requirements listed above, telephone authorizations must include the following minimum information:

- amount of the recurring debit;
- start date, number and/or frequency of the debit to the consumer's account;
- consumer's name;
- account to be debited;
- telephone number for consumer inquiries that is answered during normal business hours;
- the manner in which the consumer can revoke the authorization; and
- the date of the consumer's oral authorization.



- **Authorization via web/internet** – In addition to the general authorization requirements listed above, a web/internet authorization must be in writing, and signed or similarly authenticated by the consumer via the internet or a wireless network. The consumer must be able to read the authorization language displayed on a computer screen or other visual display. The nonprofit should prompt the consumer to print the authorization and retain a hard copy or electronic copy.

The nonprofit or its vendor must maintain a copy of the consumer authorization and be able to provide the consumer a hard copy of the debit authorization if requested to do so. The nonprofit is responsible for ensuring that the correct authorization is received and maintained but this can be outsourced to a vendor. If your ACH origination is outsourced to a vendor and the vendor maintains the authorizations, it is important that the authorizations and/or recorded authorizations be returned to the nonprofit if there is a change in vendors.

Similarly Authenticated

The similarly authenticated standard permits signed, written authorizations to be provided electronically. Examples of methods used to similarly authenticate an authorization include, but are not limited to, the use of digital signatures, codes, shared secrets, PINs, etc. Authentication of an authorization is strongest when the authorization and the authentication of that authorization occur simultaneously or nearly simultaneously. Although an initial website session login may constitute adequate authentication for a click-through authorization as part of the same session.

Retention of Authorization

The nonprofit must retain an original or copy of a written authorization, and readily and accurately reproducible records evidencing any other form of authorization. The record of authorization must be retained by the nonprofit for a period of two years following the termination or revocation of the authorization. The authorization may be retained as an electronic record that (1) accurately reflects the information in the record, and (2) is capable of being accurately reproduced for later reference, whether by transmission, printing, or otherwise.



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Four Steps to Success When Accepting ACH Donations

By Peter C. Hohenstein

As a nonprofit, you are well aware of how important it is to garner loyal, committed donors who can contribute on an ongoing basis, and help ensure a consistent cash flow for your organization.

Research shows that direct withdrawal via ACH can be a reliable, consistent way to help your organization develop and grow your sustaining donor program—while reducing costly transaction fees.

Direct withdrawal via ACH—a type of electronic payment that is also often called EFT or e-check withdrawals—is an automatic withdrawal or debit from a donor's checking or savings account that is transferred directly to your organization, offering a turnkey option to help you increase donations.

Additionally, direct withdrawal via ACH removes the hassle associated with issues such as storing paper checks and managing expiration dates on credit cards—and the fees and resources associated with both. In essence, direct withdrawal via ACH as a donation method allows your donors' resources to more fully support your important mission.

As I interact with nonprofits from all around the country throughout the year, they are often quite familiar with the benefits of direct withdrawal via ACH. Yet the question of authorization requirements usually come up. My response is always the same: Not only is direct withdrawal via ACH a cost effective donation method, but its authorization process is very easy.

So, how can you make sure you are doing it right? Here is a simple checklist of the steps you will need to take:

- Use a simple authorization form that the donor signs off on to initiate debits through the ACH Network. An authorization must be clear, understandable, and indicate the dollar amount and date that the withdrawal will occur.
- The authorization should indicate that it is ongoing and will continue until the donor contacts the nonprofit.
- Make sure the authorization clearly asks for both the account and routing numbers.
- Make sure the account number is directed to a checking or savings account.

In addition to ensuring your authorization meets the above requirements, you will need to keep an original or a copy of it. And even if the donor decides to make a change or stop automatic withdrawals, you must still keep a record of this authorization for up to two years. These records can be electronic; there is no need to keep paper copies.

Having these simple procedures and best practices in place will help you further your nonprofit's mission and goals.

Here is what a sample authorization form addressing all of the above factors might look like:

Sample Authorization Form:

Yes, I would like to make a Monthly Gift.

I authorize [*nonprofit name*] to electronically debit my account monthly on the [date] of each month as follows:

Checking account Savings account (select one)
at the financial institution named below.

Bank Name _____

Routing Number: _____

Account Number: _____

Gift Amount:

\$10 \$15 \$20 Other _____

You gift will be ongoing until you change or cancel it by contacting our organization directly.

Signature: _____

Thank You!

Peter C. Hohenstein is a senior director, ACH Network Administration, at NACHA—The Electronic Payments Association, the steward of the ACH Network that powers direct withdrawal via ACH. For more information on how direct withdrawal via ACH can help your organization build its sustaining donor program, visit ElectronicPayments.org/donor.

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