



Nacha ACH Rule Highlights

Overview

The Automated Clearing House (ACH) network is governed by Nacha, which establishes the rules for electronic payments in the United States. All merchants processing ACH transactions must comply with these rules to ensure the security, integrity, and efficiency of the payment system.

Failure to comply may result in processing restrictions, increased monitoring, or account termination.

1. Standard Entry Class (SEC) Codes

SEC codes identify the type of ACH transaction and must be used correctly:

- **Consumer Accounts:** Use PPD, WEB, TEL, RCK, BOC, etc.
 - Must include the **consumer's name**
- **Business Accounts:** Use CCD
 - Must include the **business name**

Reference: ACH Authorization Requirements

2. Transaction Integrity (No Splitting)

Transactions **must not be split** to bypass processing limits.

If higher limits are required, contact merchantservices@payliance.com

3. Resubmitting Returned Payments

Only the following return codes may be resubmitted:

- **R01 – Insufficient Funds**
- **R09 – Uncollected Funds**

Requirements:

- Use **"RETRY PYMT"** in the Entry Description field
- Ensure the original authorization permits reattempts
- Maximum of two retries after an original ACH debit entry is returned for insufficient (R01) or Uncollected (R09) funds.



4. Administrative Returns (Do Not Resubmit)

Do **not** resubmit the following without correction:

- R02 – Account Closed
- R03 – No Account
- R04 – Invalid Account Number

These indicate **invalid account information** and will increase your return rate if not corrected.

5. Unauthorized Returns (Restricted Activity)

If a transaction is returned as unauthorized (e.g., R05, R07, R10, R11, R29, R51):

- The account will be **blocked**
- A **new authorization** is required
- Submit documentation for review before reprocessing to merchantservices@payliance.com

6. Notices of Change (NOC)

A Notice of Change means the transaction succeeded, but account details must be updated:

Updates may be required for:

- Routing number
- Account number
- Account type

Updates must be applied **before the next transaction**

7. Return Rate Thresholds

Your ACH activity is monitored monthly:

- **Overall Return Rate:** $\leq 15\%$
- **Administrative Returns:** $\leq 3\%$
- **Unauthorized Returns:** $\leq 0.5\%$

Exceeding thresholds may result in corrective action, account restrictions or termination.



8. Standard Entry Descriptions

Use the correct description for each transaction type:

- Account Verification (prenotes or micro-enteries): **ACCTVERIFY**
- Online (WEB) eCommerce: **PURCHASE**
- Payroll: **PAYROLL**
- Retry Payments: **RETRY PYMT**
- NSF Fees: **RETURN FEE**

9. Record Retention

Maintain all ACH-related records (authorizations, contracts, recordings) for:

- **Minimum: 2 years from settlement date**

10. Business Information Updates

Notify Paylance of any changes to:

- Business name
- Tax ID
- DBA name
- Customer service phone number
- Business model
- Bank Account Changes

Paylance Compliance Monitoring

1. Proof of Authorization (POA)

Merchants must provide authorization evidence upon request:

- Example: TEL requires **call recordings**

2. WEB Annual Certification

Required for all WEB transactions:

- Confirms appropriate **online security controls**

3. Enhanced Due Diligence

Certain merchants are reviewed annually for:



- Authorization methods
- Security controls
- Documentation samples
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4. Ongoing Return Rate Monitoring

Return rates are reviewed **monthly** to ensure compliance.

Sample ACH Authorization Forms

Use the link below to access a **sample ACH authorization form**. This can be customized with your company's details and used to collect customer authorizations:

 [Authorization Forms | Paylance](#)

Common Return Codes (Quick Reference)

- **R01:** Insufficient Funds
- **R03:** No Account
- **R04:** Invalid Account
- **R07:** Authorization Revoked
- **R10:** Unauthorized
- **R17:** Questionable Transaction
- **R29:** Corporate Not Authorized

Commonly Received Return Codes

Code	Reason	Description
R01	INSUFFICIENT FUNDS	Available balance is not sufficient to cover the value of the debit.
R02	ACCOUNT CLOSED (ADMIN)	Previously active account has been closed.
R03	NO ACCOUNT (ADMIN)	Acct # structure valid but doesn't match individual or not open
R04	INVALID ACCOUNT NUMBER (ADMIN)	Acct # structure not valid. Check digit/number of acct digits failed
R06	RETURNED PER ODFI	ODFI has requested RDFI to return a duplicate or erroneous entry
R07	AUTHORIZATION REVOKED (UNAUTH)	Acct holder has revoked authorization from the originator
R08	PAYMENT STOPPED	Acct holder requests stop of a single entry
R09	UNCOLLECTED FUNDS	Value of uncollected items brings avail. bal. below debit entry amount
R10	NO AUTHORIZATION (UNAUTH)	Account holder advises that entry is not authorized
R11	CUSTOMER ADVISES ENTRY NOT IN ACCORDANCE WITH THE TERMS OF AUTH (UNAUTH)	Account holder advises errors or defects in entry
R14	DECEASED	The account holder is deceased; cease future payments
R15	BENEFICIARY DECEASED	Beneficiary entitled to benefits is deceased; cease future payments.



R16	ACCOUNT FROZEN	Funds not available due to action by RDFI or legal action
R17	ENTRY QUESTIONABLE	RDFI has not posted to receivers account due to belief it is questionable
R20	NON-TRANSACTION ACCOUNT	Policies and/or regulations restrict activity to account indicated
R22	INVALID INDIVIDUAL ID	The ID number used to identify the account is not correct
R23	PAYMENT REFUSED	Acct holder refuses transactions because amount is disputed
R24	DUPLICATE ENTRY	Transaction appears to be a duplication
R29	CORPORATE NOT AUTHORIZED (UNAUTH)	Receiver has notified RDFI that corporate entry is not authorized
R30	RDFI NOT IN TRUNCATION PROGRAM	RDFI not in check truncation program
R31	ODFI PERMITS LATE RETURN	ODFI agrees to accept a return
R38	PAYMENT STOPPED ON BOC ITEM	Acct holder requests stop of a single entry on the source document
The following return codes require the Correction Notice information to be used in the next ACH entry.		
C01	INCORRECT ACCOUNT NUMBER	Change account number
C02	INCORRECT TRANSIT ROUTE	Change transit routing number
C03	INCORRECT ACCT & ROUTE	Change transit routing number and account number
C05	INCORRECT TRANS CODE	Change account type
		22 =Credit to Checking and 32 = Credit to Savings
		27 = Debit to Checking and 37 = Debit to Savings
C06	INCORRECT ACCT & ACCT TYPE	Change account number and account type
C07	INCORRECT ACCT /ROUTE/TYPE	Change transit routing number, account number and account type
Other Definitions =		
ODFI = Originating Depository Financial Institution, is the transaction SENDING institution		
RDFI = Receiving Depository Financial Institution, is the transaction RECEIVING institution		
RECEIVER = The account holder at the RECEIVING institution.		
ORIGINATOR = Business that originates the transaction		
ADMIN = CATAGORIZED AS AN ADMIN RETURN FOR MONITORING RETURN RATES		
UNAUTH = CATAGORIZED AS AN UNAUTHORIZED RETURN FOR MONITORING RETURN RATES		

AUTHORIZATION REQUIREMENTS: PPD AND RCC

PPD TRANSACTIONS	
Description	PPD applies to ACH authorizations signed by a consumer, most commonly in a face to face environment. PPD can also apply in scenarios where the consumer signs the agreement electronically and emails it to you, the Merchant.
Requirements	<p>Authorization: Verbiage that clearly shows the customer is authorizing the debit</p> <p>Date/s: A clear description of when the debit will be debited</p> <p>Amount: A clear description of the amount to be debited</p> <p>Revocation: Verbiage that clearly shows the customer can cancel or revoke authorization</p> <p>Method of Revocation: A phone number or email that the customer can use to revoke authorization</p> <p>Period of time: Provide an appropriate timeframe to cancel the transaction</p>
Sample Template	I hereby authorize <i>[Merchant Name]</i> to initiate ACH debits to my bank account in the amount of <i><Dollar Amount></i> on the date of <i>[Date of Transaction]</i> . I understand I may revoke this authorization by calling/emailing <i>[Customer Service Phone Number or Email Address]</i> within 3 business days prior to the authorized processing date.

RCC TRANSACTIONS	
Description	PPD applies to RCC authorizations signed by a consumer, most commonly in a face to face environment. RCC can also apply in scenarios where the consumer signs the agreement electronically and emails it to you, the Merchant.
Requirements	<p>Tender Type: Verbiage that specifically states that the method of payment is a Remotely Created Check (RCC), demand draft, or paper draft.</p> <p>Authorization: Verbiage that clearly shows the customer is authorizing the debit</p> <p>Date/s: A clear description of when the debit will be debited</p> <p>Amount: A clear description of the amount to be debited</p> <p>Revocation: Verbiage that clearly shows the customer can cancel or revoke authorization</p> <p>Method of Revocation: A phone number or email that the customer can use to revoke authorization</p> <p>Period of time: Provide an appropriate timeframe to cancel the transaction</p>
Sample Template	I hereby authorize <i>[Merchant Name]</i> to initiate Remotely Created Check debits to my bank account in the amount of <i>[Dollar Amount]</i> on the date of <i>[Date of Transaction]</i> . I understand I may revoke this authorization by calling/emailing <i>[Customer Service Phone Number or Email Address]</i> within 3 business days prior to the authorized processing date.

AUTHORIZATION REQUIREMENTS: CCD AND WEB

CCD TRANSACTIONS	
Description	CCD applies to authorizations from businesses.
Requirements	<p>If there is a contractual relationship between you (Merchant) and the business entity, and that contract contains language explaining that ACH payments will be used, the contract itself is sufficient as authorization.</p> <p>If there is no contractual relationship between you (Merchant) and the business entity, the authorization requirements for PPD should be utilized. (see above “PPD Transactions”).</p>

WEB TRANSACTIONS	
Description	WEB applies to authorizations digitally signed by the consumer in an online environment.
Requirements	<p>Authorization: Verbiage that clearly shows the customer is authorizing the debit</p> <p>Date/s: A clear description of when the debit will be debited. If the customer is initiating the transaction, and thus choosing the debit date, this can be omitted from authorization language.</p> <p>Amount: A clear description of the amount to be debited. If the customer is initiating the transaction, and thus enters the amount to be debited, this can be omitted from authorization language.</p> <p>Revocation: Verbiage that clearly shows the customer can cancel or revoke authorization</p> <p>Method of Revocation: A phone number or email that the customer can use to revoke authorization</p> <p>Period of time: Provide an appropriate timeframe to cancel the transaction</p>
Sample Template	I hereby authorize <i>[Merchant]</i> to initiate ACH debits to my bank account. I understand I may revoke this authorization by calling/emailing <i>[Customer Service Phone Number or Email Address]</i> within 3 business days prior to the authorized processing date.

AUTHORIZATION REQUIREMENTS: TEL

TEL TRANSACTIONS	
Description	TEL applies to authorizations provided by a customer over the phone.
Method of Authorization	<p><u>One-Time Debits</u> An audio recording of the authorization OR a written confirmation of payment which is sent to the customer in advance of the debit</p> <p><u>Recurring Debits</u> An audio recording of the authorization AND a written confirmation of payment which is sent to the customer. The written notice is to confirm the recorded authorization; a signature is not required.</p>
Requirements	<p>Authorization: Explicit consent from the customer during the recorded conversation (not needed for written notice requirements)</p> <p>Identity: The customer’s full name</p> <p>Date/s: A clear statement of when the debit will be debited</p> <p>Cadence: The timing (including the start date) and/or frequency of debits</p> <p>Amount: A clear description of the amount to be debited</p> <p>Bank Account: The bank account number of the account to be debited</p> <p>Revocation: Verbiage that clearly shows the customer can cancel or revoke authorization</p> <p>Method of Revocation: A phone number or email that the customer can use to revoke authorization</p>
Sample Template: Audio Recording	<p>“At this time, we will need your voice authorization. <i>[Customer Name]</i>, by providing your bank account information and verbal authorization today, <i>[Date of Recording]</i>, you are authorizing <i>[Merchant Name]</i> to create a <i>[One-Time or Recurring]</i> ACH debit to your bank account ending in <i>[Last 4 Digits of Customer Bank Account]</i> on <i>[Date of Debit]</i> in the amount of <i>[Dollar Amount]</i>.</p> <p>You may revoke this authorization by calling <i>[Customer Service Phone Number or Email Address]</i> 3 business days prior to the authorized processing date. Do you authorize <i>[Merchant Name]</i> to proceed with this payment?”</p> <p>* [GET A VERBAL YES]</p> <p>“Thank you, you can call us at <i>[Customer Service Phone Number or Email Address]</i> with any questions or concerns about this authorization.”</p>
Sample Template: Written Notice	<p><i>[Customer Name]</i>, by providing your bank account information and verbal authorization on <i>[Date of Recording]</i>, you have authorized <i>[Merchant Name]</i> to create a <i>[One-Time or Recurring]</i> ACH debit to your bank account ending in <i>[Last 4 Digits of Customer Bank Account]</i> on <i>[Date of Debit]</i> in the amount of <i>[Dollar Amount]</i>.</p> <p>You may revoke this authorization by calling <i>[Customer Service Phone Number or Email Address]</i> 3 business days prior to the authorized processing date.</p>

AUTHORIZATION REQUIREMENTS

It is recommended, but not required, that the below verbiage be included in any authorization:

Recommended Verbiage	
Sample Template	<ul style="list-style-type: none">• The debit may occur on a date later than the scheduled date if the scheduled date falls on a non-banking day.• If the electronic debit is returned for insufficient or held funds, it will be represented automatically. My account will be debited for the payment plus the state-allowed fee. If there is a fee associated with the returned debit, I understand I will be liable for that fee.

POA Retention	
NACHA Retention Rules	<ul style="list-style-type: none">• The Originator must retain either the original or duplicate audio recording and/or signed document authorization confirming the Receivers authorization for two years from the date of the authorization for single debit entries. If recurring entries the Originator must retain authorization for two years from the termination, revocation of the payment authorization. (Sec 5, Ch. 47)