



ACH Operations Bulletin #2-2017

Same Day ACH and Debit Processing

April 11, 2017

EXECUTIVE SUMMARY

ACH debits become eligible for same-day settlement with the implementation of Same Day ACH Phase 2 on September 15, 2017. This ACH Operations Bulletin provides information to Originating and Receiving Depository Financial Institutions, Originators, Third-Party Senders, and software and processing vendors on important aspects of ACH debit processing in a same-day environment. Even those not planning to use same-day processing for ACH debits should take reasonable care to prevent unintentional same-day ACH debits.

Action Items

- All Originators should “check and correct” the Effective Entry Dates in ACH transactions they originate, even those that do not intend to make use of same-day debits.
- All Originators that intend to make use of same-day ACH debits should review their authorization language to ensure that the terms are clear and readily understandable regarding the timing of such debits.
- All ODFIs should identify and contact Originators that currently use incorrect Effective Entry Dates in their ACH debit transactions, or otherwise act to address such Originators’ use of incorrect Effective Entry Dates.
- All Third-Party Senders, ACH software vendors, and ACH payment processors should assess their own role(s) in ensuring accurate ACH processing, including the accurate dating of ACH transactions.
- ODFIs can contact their ACH Operator(s) for additional assistance, tools and reports regarding Same Day ACH.

DISCUSSION

Use Cases and Benefits of Same Day ACH Debits

There are a number of use cases for Same Day ACH debits that can provide substantial benefits for ACH participants, including consumers:

- Billing companies can offer same-day bill payment via their web sites and call centers, allowing consumers to have their bill payments made and completed on a single business day. This can include bill payments made on due dates; that are late; or are for the start, end, or restoration of service.
- Institutions can offer same-day account-to-account transfers, so that both the “to” and “from” accounts post the transfer on the same business day, and can decide whether funds can be made available a day earlier.
- Billers and merchants can accept and convert checks that settle on a single business day.

In these and other use cases for Same Day ACH debits, consumers may have access to more up-to-date information about transactions to their accounts, and therefore better information about their actual available balances. As the Consumer Financial Protection Bureau commented, “same day ACH may help alleviate some of the challenges consumers face today in trying to forecast when various types of credit and debit payments will post to their accounts and the complications - such as overdrawn balances, nonsufficient balances for subsequent payments, and fees - that can arise from such uncertainty.”¹

As distinct from the use cases described above, the existing next-day ACH capability is likely to continue to effectively serve other use cases for ACH debit payments that are scheduled in advance. For example, preauthorized recurring debits for insurance, utility, or mortgage payments generally have an established payment schedule or monthly due date that is known to both parties in advance. Regardless of whether the biller in such cases uses next-day or same-day ACH debits, ultimately it is the biller’s (Originator’s) responsibility that the ACH debit settles no earlier than the scheduled settlement date.

Considerations for ODFIs and their Originators

All Originators should “check and correct” their use of Effective Entry Dates in their ACH transactions, even those that do not intend to make use of Same Day ACH debits. Regardless of whether an Originator intends to use Same Day ACH debits or not, it is incumbent upon every Originator to accurately date ACH debit transactions so that their customers’ accounts are debited on the correct date. Originators whose systems use a default “today’s date” are at an elevated risk of incorrectly debiting their customers early when Phase 2 of Same Day ACH goes into effect.

Originators intending to use Same Day ACH for consumer debits should review their authorization language to ensure that it is clear and readily understandable. While an authorization does not need to specifically reference “Same Day ACH,” under the *NACHA Operating Rules* a debit to a consumer account must have clear and readily understandable terms; and “a purported authorization that is not clear and readily understandable as to its terms (including the amount or timing)” does not satisfy the authorization requirements.² (Emphasis added.)

¹ http://files.consumerfinance.gov/f/201507_cfpb_cfpb_letter-to-nacha-proposed-rules-for-same-day-ach-to-move-payments-faster.pdf

² See NACHA Operating Rules, Subsection 2.3.2.3(b), 2017 NACHA Operating Rules and Guidelines, Page OR6.

Further, under the *Rules* an ODFI warrants that a “debit Entry is for an amount that will be due and owing to the Originator from the Receiver on the Settlement Date.”³ (Emphasis added.) A debit may be treated as unauthorized if “the debit Entry was initiated for settlement earlier than authorized by the Receiver.”⁴

In addition to an elevated risk that mistimed debits will be returned as unauthorized, and thereby incur the Unauthorized Entry Fee, Originators and their ODFIs also may be subject to an elevated risk of reputational injury due to the impact on consumers of processing errors that were preventable.

Considerations for RDFIs

An RDFI relies on the accuracy of information contained in an Entry, as well as the warranties made by the ODFI that the Entry is authorized and contains accurate information. An RDFI is not in a position to know the date or timing for which any specific ACH debit entry has been authorized. An RDFI would only become aware that a debit was settled earlier than authorized when it is contacted by its customer (the Receiver) to dispute the debit. For a consumer Receiver, the RDFI can exercise its right to return the entry for an extended period upon obtaining the Receiver’s Written Statement of Unauthorized Debit.

As distinct from the RDFI’s requirement to make funds available from a credit Entry, the *Rules* do not specify the timing of posting a debit entry to a Receiver’s account. NACHA has received inquiries from a few RDFIs asking if they can delay the posting of same-day ACH debits until the next Banking Day. While the *Rules* do not prohibit this, NACHA strongly cautions all RDFIs to consider the potential risk management and customer impacts of such delayed posting. First, the RDFI’s settlement account with the Federal Reserve will be debited on the Settlement Date, so the RDFI will lose access to the amount of those funds until it debits its customer’s account. Second, if posting is delayed, the account records available to the customer may not reflect the true available balance, which could lead to the customer attempting to make other use of the funds before the RDFI posts the debit.

EXAMPLES

The following examples are intended to illustrate several correct and incorrect uses of Effective Entry Dates for common scenarios of bill payment via ACH debit. Each Originator should evaluate the practices that are best tailored to its individual circumstances.

1. Correct Use of Next-Day Effective Entry Date for Pre-Authorized, Scheduled Payments

An insurance company has authorizations to debit 10,000 of its customers for premium payments on the 5th of every month. On Wednesday, October 4, 2017, it sends a file of ACH debits to its ODFI with an Effective Entry Date of October 5, 2017 (i.e., content of “171005” in the Effective Entry Date field). This Effective Entry Date accurately conveys the insurance company’s intent for these debits to settle on October 5. The file is processed normally as a file of “next-day”

³ See NACHA Operating Rules, Subsection 2.4.1.6(a), 2017 NACHA Operating Rules and Guidelines, Page OR9.

⁴ See NACHA Operating Rules, Subsection 3.12.1(c), 2017 NACHA Operating Rules and Guidelines, Page OR50.

debits, the debits settle at 8:30 a.m. ET on Thursday, October 5, and the insurance company's 10,000 customers' accounts are debited on October 5 as intended.

2. Incorrect Use of Same-Day Effective Entry Date for Pre-Authorized, Scheduled Payments

A utility company has authorizations to debit 15,000 of its customers for monthly electric payments on the 17th of every month. On Monday, October 16, 2017, it sends a file of ACH debits to its ODFI with an Effective Entry Date of October 16, 2017 (i.e., content of "171016" in the Effective Entry Date field). Unfortunately, the utility company did not "check and correct" its Effective Entry Dates. This Effective Entry Date in this file does not accurately convey the utility company's intent for these debits to settle on October 17. Instead, the file is processed normally as a file of same-day debits; the debits settle at the time that corresponds to the processing window, either 1:00 p.m. or 5:00 p.m. ET. The result is that the utility company's 15,000 customers' accounts are debited one day earlier than authorized, on October 16 rather than the date authorized of October 17. The utility company has an elevated risk of these debits being returned as unauthorized.

3. Correct Use of Same-Day Effective Entry Date for One-Time, Unscheduled Payments

A telecommunications company offers bill payment via its web site and call center. On Friday, October 20, 2017, the company obtains authorizations from 5,000 of its customers to debit their accounts to pay their bills. The authorizations include language to the effect that the company intends to collect the funds as quickly as possible. The telcom company sends a file of ACH debits with a batch of TEL debits and a batch of WEB debits, each with an Effective Entry Date of October 20, 2017 (i.e., content of "171020" in the Effective Entry Date field). This Effective Entry Date accurately conveys the telcom company's intent for these debits to settle on October 20. The file is processed normally as a file of same-day debits; the debits settle at 5:00 p.m. ET on Friday, October 20, and the telcom company's 5,000 customers' accounts also are debited correctly on October 20.

4. Incorrect Use of Same-Day Effective Entry Date for One-Time, Scheduled Payments

A credit card company offers bill payment via its web site, and allows customers to schedule the date of payments in advance. On Tuesday, October 17, 2017, a customer uses the company's web site to schedule a payment for the following Tuesday, October 24, 2017. On Monday, October 23, 2017, the credit card company sends a file of ACH debits to collect all the payments that are scheduled for Tuesday, October 24. The file has an Effective Entry Date of October 23, 2017 (i.e., content of "171023" in the Effective Entry Date field). Unfortunately, the credit card company did not "check and correct" its Effective Entry Dates. This Effective Entry Date in this file does not accurately convey the company's intent for these debits to settle on October 24. Instead, the file is processed normally as a file of same-day debits, the debits settle at the time that corresponds to the processing window, either 1:00 p.m. or 5:00 p.m. ET. The result is that the customers that scheduled payments for Tuesday, October 24 are debited on Monday, October 23, one day earlier than authorized. The credit card company has an elevated risk of these debits being returned as unauthorized.

ADDITIONAL RESOURCES

For additional information about Same Day ACH, please see NACHA's Same Day ACH Resource Center at <https://resourcecenter.nacha.org/>.

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