

Frequently Asked Questions – ACH

How can I tell the difference between PPD, CCD, and CTX SEC Codes?

- PPD (Prearranged Payment and Deposit Entry) should be used with consumer (personal) accounts. For Example, when you are sending payroll to “employees” you are sending ACH credit items to “consumer accounts” and should use PPD.
- CCD (Cash Concentration Disbursement) should be used with corporate credits and debits to commercial/business accounts. For example, when you are paying your vendors, you are sending ACH credit items to “commercial/business accounts” and should use CCD.
- CTX (Corporate Trade Exchange), like a CCD, should be used to make or collect payments to or from other corporate entities, but the difference is when you want to include more than one addenda record. An Addenda Record is used to supply payment-related information to the receiving company, i.e., invoice information. A CTX item can have up to 9,999 addenda records, whereas with CCD you will only have one.

Using the correct SEC code is important to ensure that you don’t get unnecessary chargebacks to your account or open yourself up to extended availability for chargebacks.

Do I have to have an authorization form prior to initiating ACH transactions?

- For ACH credits, authorization is not required to be in writing, but you may choose to get an authorization in writing. Veritex Community Bank recommends that you do obtain and retain an authorization.
- For ACH debits, yes. For example, for PPD transactions, NACHA rules state that authorization must:
 - a) Be in writing and signed or similarly authenticated by the consumer
 - b) The consumer must be provided with an electronic or paper copy of the authorization
 - c) The authorization must be readily identifiable as an authorization and must clearly and conspicuously state its terms, as well as indicate that the Receiver may revoke the authorization by notifying the Originator in the manner specified in the authorization.
 - d) The authorization process must evidence both the consumer’s identity and his or her assent to the transaction. Further, the NACHA operating rules require that the entry contain certain information, including, but not limited to, the Receiver’s bank routing number and account number.
 - e) In addition, the consumer must be provided an electronic or paper copy of the authorization.

*NOTE: Different SEC codes will have their own specifications for authorizations. Refer to the NACHA Operating Rules and Guidelines.

How long should I retain ACH authorization forms?

- According to Subsection 2.3.2.5 of the Rules, "An Originator must retain the original or a copy of each written authorization of a Receiver, or a readily and accurately reproducible Record evidencing any other form of authorization, for two years from the termination or revocation of the authorization."
- The ACH Receiver’s bank may reach out to the Originator’s bank and request a copy of that authorization, and the Originator is required by NACHA rules to produce a copy of the ACH authorization to their bank within 10 banking days of the request. Proper record retention is important to ensure that you are staying compliant.

How can I decrease the chance that my origination will be returned?

A simple way to decrease the chance that your origination will be returned is to use a **prenote**. A prenote is a zero-dollar payment to validate the account number and routing details of a bank account before debiting or crediting it. The rules on using a prenote are as follows:

- a) Prenotes should not be used for any other reason than to validate an account number.
- b) Prenotes should only be used once.
- c) Prenotes should always be non-monetary.
- d) The company description on a Prenote should only say **PRENOTE**.
- e) An Originator must wait three days after originating a prenote before transmitting debits or credits.

A couple days after transmitting an entry, I received an NOC for the same item. Does this mean my entry was returned?

No, an NOC is **not a return**. A notification of change (NOC) is a non-monetary ACH entry transmitted by a receiving depository financial institution (RDFI) to notify you that your origination **was excepted**, however, information contained within the entry (whether prenote or otherwise) is erroneous and/or has become outdated and must change. The rules on reacting to an NOC are as follows:

- a) Once an Originator receives an NOC, NACHA requires that Originator to make the requested changes within six days or prior to the initiation of another ACH entry, whichever is later.
- b) Failure to implement the changes outlined in the NOC **may result in additional fees**.

One of my originations was returned as insufficient funds (NSF). Can I attempt to collect the funds again?

To originate the exact same transaction after the original transaction was returned is called a **reinitiation**. The rules on reinitiation are as follows:

- a) Originators can only reinitiate an original transaction if it was returned as NSF or uncollected funds.
- b) If the original transaction was returned as stop payment, Originators must obtain a separate authorization from their customer to reinitiate that transaction. (See the rules on authorizations above.)
- c) An ACH transaction can only be reinitiated **twice** within **180 days** of the original transaction.
- d) The reinitiation must have the exact same amount, the exact same name, and the exact same company ID as the original transaction.
- e) The company description field of the reinitiation must be changed to **RETRY PYMT**.
- f) The reinitiation rules are the same for all SEC codes except RCK.