

## ACH Risk & Quality Rules Frequently Asked Questions

### Unauthorized Return Rate Threshold

#### Q1: What is the new Unauthorized Return Rate Threshold?

This rule reduces the return rate threshold for unauthorized debit entries from 1.0 percent to 0.5 percent. All other aspects of the *Rules* regarding the Unauthorized Return Rate Threshold remain the same.

#### Q2: What return codes are included in the Unauthorized Return Rate Threshold?

The Unauthorized Return Rate Threshold covers Return Reason Codes R05, R07, R10, R29 and R51.

#### Q3: What SEC Codes are included?

Unauthorized Return Rate Threshold covers debits using any SEC Code. It does not apply to credits returned as unauthorized.

#### Q4: Does this rule change NACHA's current risk investigation and enforcement processes?

No, the rule does not change any of NACHA's existing risk investigation or enforcement processes related to the Unauthorized Return Rate Threshold.

#### Q5: How is an unauthorized return rate calculated?

The Rules allow two methods to calculate an unauthorized return rate:

1. Dividing the number of debit Entries returned as unauthorized for the preceding sixty days or two calendar months by the total number of debit Entries contained within the ACH File(s) in which the original Entries were transmitted; or
2. Dividing the number of debit Entries returned as unauthorized for the preceding sixty days or two calendar months by the total number of debit Entries originated for the preceding sixty days or two calendar months, respectively.

### Administrative and Overall Return Rate Levels

#### Q1: What are the new Return Rate Levels?

The rule establishes two new Return Rate Levels:

1. A Return Rate Level of 3.0 percent will apply to debit entries returned due to administrative or account data errors (Return Reason Codes R02, R03 and R04).
2. A Return Rate Level of 15.0 percent will apply to all debit entries (excluding RCK entries) that are returned for any reason.

#### Q2: What return codes are included in the Return Rate Levels?

The Administrative Return Rate Level applies to Return Reason Codes R02, R03 and R04. This return rate level does not apply to returned credit entries.

The Overall Return Rate Level applies to all Return Reason Codes for all debit entries (excluding RCK entries). This return rate level does not apply to returned credit entries.

#### Q3: Why are RCK entries excluded?

RCK Entries are excluded because, by definition, an RCK is a representation of a check payment that has already been returned for insufficient funds. This makes establishing a valid return rate level impractical.

#### Q4: How is an administrative return rate or an overall return rate calculated?

The rule provides two methods to calculate an administrative return rate or an overall return rate.

1. Dividing the number of debit Entries returned either for administrative reasons (Return Reason Codes R02, R03 and R04 when calculating the Administrative Return Rate) or for any reason (when calculating the Overall Return Rate) for the preceding sixty days or two calendar months, by the total

number of debit Entries contained within the ACH File(s) in which the original Entries were Transmitted (when calculating the Overall Return Rate, RCK Entries and Returns may be excluded from both the numerator and denominator); or

2. Dividing the number of debit Entries returned either for administrative reasons (Return Reason Codes R02, R03 and R04 when calculating the Administrative Return Rate) or for any reason (when calculating the Overall Return Rate) for the preceding sixty days or two calendar months, by the total number of debit Entries originated for the preceding sixty days or two calendar months, respectively (when calculating the Overall Return Rate, RCK Entries and RCK Returns may be excluded from both the numerator and denominator).

**Q5: Does this rule ban any industries from using the ACH Network?**

No. The rule does not ban the use of the ACH Network by any industry or any specific businesses. The rule provides tools for identifying “outlier” Originators that cause a disproportionate levels and exceptions, and also provides for an inquiry into their ACH origination practices rather than an automatic rules enforcement sanction.

**Q6: Does the rule identify high-risk industries?**

No. The return rate levels are not industry-based. They are designed to be tools in identifying “outlier” Originators regardless of the industry.

## Reinitiation of Entries

**Q1: What fields in the reinitiated entry should not change from the original entry?**

A reinitiated Entry should contain identical content in the following fields: Company Name, Company ID, and Amount. Further, the rule permits modification to other fields only to the extent necessary to correct an error or facilitate processing of an Entry. This allows reinitiations to correct administrative errors, but prohibits reinitiation of Entries that may be attempts to evade the limitation on the reinitiation of returned Entries by varying the content of the Entry.

**Q2: Are there other formatting requirements for a reinitiated entry?**

The description “RETRY PYMT” must be included in the Company Entry Description field to identify Entries that are permissible resubmissions of Returned Entries under the Reinitiation Rule. Use of this description in the field notifies the Receiver that the Entry relates to a previously Returned Entry, and will facilitate research and dispute resolution for RDFIs.

**Q3: What if I need to re-initiate an entry that already has content in the Company Entry Description? Do I still need to include “RETRY PYMT”?**

Yes, the “RETRY PYMT” descriptor must be included in the reinitiated entry even if that means replacing content from the original entry.

**Q4: Does a reinitiated entry have to be the same amount as the original entry?**

Yes, reinitiating any entry in an amount greater or less than the original entry would be considered an improper reinitiation practice.

**Q5: If a returned debit is one in a series of recurring debits, would initiating the following debit(s) be considered reinitiation?**

No, the rule allows that a debit Entry in a series of preauthorized recurring debit Entries will not be treated as a reinitiated Entry, even if the subsequent debit Entry follows a returned debit Entry, as long as the subsequent Entry is not contingent upon whether an earlier debit Entry in the series has been returned.

**Q6: If an entry is returned as unauthorized, can it be re-initiated?**

No, an unauthorized debit cannot be remedied. Reinitiating any entry that was returned as unauthorized would be considered an improper reinitiation practice. The rule allows that a debit Entry will not be considered a reinitiation if the Originator obtains a new authorization for the debit Entry **after** the receipt of the return. The timing requirement is important, however, since Originators will **not** be permitted to obtain advance approval to debit an account in a manner that would otherwise violate this Reinitiation Rule.

**Q7: What return reason code should be used to return improperly re-initiated entries?**

The rule allows these returns to use Return Code R10 (currently used for Extended Returns) to include a Return for an improperly reinitiated debit, because these debits are likely to be identified via a customer complaint after the expiration of the normal two-day return timeframe (i.e., an extended return timeframe would be necessary). In order to use R10 and the extended return timeframe, the Receiver will need to complete a Written Statement of Unauthorized Debit.

The rule does not create any new risk management obligations for Third-Party Senders. The rule clarifies and makes explicit existing risk management obligations. The rule does obligate a Third-Party Sender to cooperate with its ODFI for the purpose of providing a valid proof of completion of an ACH Rules Compliance Audit, when requested. 📍

Source: NACHA



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