



ACH Rules and Updates for Business Originators

ANNUAL NOTICE TO ACH ORIGATION CUSTOMERS

Every year, the National Automated Clearinghouse Association (Nacha) publishes new rules that expand upon ACH services and/or requirements related to ACH entries. As your business partner, Security National Bank is committed to supporting your compliance with Nacha's Operating Rules and Originator Responsibilities for the transactions you originate through the Automated Clearing House (ACH) Network.

Updated Nacha Rules, processing deadlines, and retention periods are available on Nacha's website at www.nacha.org, including links to detailed information relevant to your needs.

UPCOMING RULE CHANGES

The following rule changes take effect March 20, 2026, but may be adopted earlier:

1. COMPANY ENTRY DESCRIPTION – PAYROLL

- Establishes a new standard description of "PAYROLL" for PPD Credits related to wages, salaries, and other similar types of compensation.
- New language clarifies that the use of the term "PAYROLL" is descriptive and does not represent or warrant the Receiver's employment status by the Originator, ODFI, or any Third-Party Service Provider.

2. COMPANY ENTRY DESCRIPTION – PURCHASE

- Establishes a new standard description of "PURCHASE" for e-commerce purchases.
- New language defines e-commerce purchases as debit

Entries authorized by a consumer Receiver for online purchases of goods, including recurring purchases first authorized online.

- E-commerce purchases use the WEB debit SEC Code, except as permitted by the rule on Standing Authorization to use the PPD or TEL debit SEC Code.

3. FRAUD MONITORING BY ORIGINATORS, TPSPS, AND ODFIS

- Requires non-consumer Originators, ODFIs, Third-Party Senders (TPSPs), and Third-Party Service Providers (TPS) to establish and implement risk-based processes and procedures reasonably designed to identify ACH Entries initiated due to fraud.

FRAUD MITIGATION: PREVENTING FRAUDULENT ACH TRANSACTIONS

As an ACH originator, your company plays a critical role in safeguarding Protected Information. In the context of payment originations, Protected Information refers to non-public personal and financial data of a natural person used to create or contained within an ACH entry and its related addenda. Protecting this information is increasingly important due to rising threats like:

- Corporate account takeovers
- Viruses
- Network intrusions
- Employee/email fraud
- Hacking

To address these risks, your company is required to establish, implement, and regularly update policies, procedures, and systems designed to:

- Protect the confidentiality and integrity of Protected Information until its destruction.
- Guard against anticipated threats or hazards to the security or integrity of Protected Information until its destruction.
- Prevent unauthorized use of Protected Information that could cause substantial harm to a natural person.

Additionally, Security National Bank requires all ACH originators and third parties to adhere to these protections. For example, when responding to ACH Receiver requests to change account information, you must verify the request with a phone call to a trusted number on file—not one provided in the email request.

If you have questions about ACH or any of our Treasury Management products, please contact us at (712) 277-6531.

Thank you for partnering with Security National Bank for your banking needs!

CREDIT PUSH FRAUD SCENARIOS

BUSINESS EMAIL COMPROMISE SCHEMES

Business email compromise schemes occur when the legitimate email account of a business officer is either compromised or impersonated and used to order or request the transfer of funds. An employee transfers funds to the fraudster believing the order was from a reputable company email addressed owned by an officer with authority to execute those orders

VENDOR IMPERSONATION FRAUD

Vendor impersonation fraud occurs when a business, public sector agency or organization receives an unsolicited request, purportedly from a valid contractor, to update the payment information for that contractor. The fraudster is paid by the business, agency, or organization when the real contractor submits an invoice for work done or goods sold. Public sector organizations are frequently targeted because contact information is often in public record.

PAYROLL IMPERSONATION FRAUD

Payroll impersonation fraud targets employees and human resources departments. A fraudster will impersonate an employee and contact the HR department directly or through the employer's payroll portal using stolen credentials. The fraudster requests to change the account where the employee's regular payroll is deposited. Once updated, the employer pays the fraudster rather than the employee.

FEDERAL HOLIDAY SCHEDULE

Holiday	2025
New Year's Day	January 1
Martin Luther King Jr. Day	January 20
Presidents Day	February 17
Memorial Day	May 26
Juneteenth	June 19
Independence Day	July 4
Labor Day	September 1
Columbus Day	October 13
Veterans Day	November 11
Thanksgiving Day	November 27
Christmas Day	December 25

BOLD dates indicate Security National Bank will be open. *For holidays falling on Saturday, Federal Reserve Banks and Branches will be open the preceding Friday **For holidays falling on Sunday, Federal Reserve Banks and Branches will be closed the following Monday.

PROCESSING DEADLINES AND CUTOFF TIMES

Transactions must be submitted by the cutoff time in order to be processed that day. Cutoff times are as follows:

- Next Day Files* – Submitted to the Bank by 3:00 p.m. CST. (Files should be submitted at least 2 days before the effective date)
- Same Day Files – Submitted to the Bank by 1:15 p.m. CST.

*Cutoff times for Business Online are later, however bank staff is only available until 5:00 p.m. CST. The last import to the ACH Operator is at 8:00 p.m.

SAME DAY ACH

Originators have the ability to initiate and deliver ACH transactions on the same day, i.e. the effective entry date is the same business day as the date on which the entry is transmitted to the ACH Operator.

- Debit and Credit ACH transactions are eligible for Same Day processing*
- Limit per item is \$1,000,000
- Same Day files must be submitted by 1:15 p.m. for Same Day processing

*An additional fee may apply

ACH OPERATING GUIDELINES

NOTIFICATION OF CHANGE (NOC)

If the information on a transaction you originated is incorrect, you may receive a non-dollar correction transaction called a Notification of Change (NOC).

It specifies information such as:

- Correct account number
- Correct routing/transit number
- Correct account type (checking/savings etc.)

For example, if a receiving bank (also called Receiving Depository Financial Institution or RDFI) has been through a merger, it may send you a NOC to provide new information that should be included on future transactions you originate.

NOC CODE	DESCRIPTION & ACTION BY ORIGINATOR
C01	Incorrect Account Number Change the Receiver's account number.
C02	Incorrect Routing Number Change the Receiver's financial institution routing number.
C03	Incorrect Routing Number & Account Number Change the Receiver's financial institution routing number and account number.
C05	Incorrect Transaction Code Change the account type.
C06	Incorrect Account Number & Transaction Code Change the Receiver's account number and account type.
C07	Incorrect Routing Number, Account Number & Transaction Code Change the Receiver's financial institution routing number, account number, and account type.

UNDERSTANDING RETURNS AND RETURN CODES

Return codes are used when the receiving bank is unable to post an entry to the receiver's account and may return the entry back to the originating bank.

Security National Bank will notify you of a return and then credit or debit the amount to your account to reflect the nature of the return. Return notification is provided by secure email or Business eBanking notification the same business day the return is received.

RETURN CODE	DESCRIPTION & ACTION BY ORIGINATOR
R01	Insufficient Funds May reinitiate the ACH transaction for a total of 3 presentments within 180 days of the settlement date of the original entry.
R02	Account Closed Must stop initiation of transaction. Contact Receiver to obtain authorization for another account.
R03	No Account Must stop initiation of entries. Contact Receiver to obtain authorization for another account.
R04	Invalid Account Must stop initiation of entries until account number is corrected.
R05	Unauthorized Debit to a Consumer Account Using Corporate SEC Code Must stop initiation of entries.
R07	Authorization Revoked Must stop initiation of entries until new consumer authorization is obtained.
R08	Payment Stopped Must contact the Receiver to identify the reason for the Stop Payment and determine if the entry should be stopped permanently.
R09	Uncollected Funds May reinitiate the ACH transaction for a total of 3 presentments within 180 days of the settlement date of the original entry.
R10	Customer Advises Originator is not known to the Receiver and/or Originator is not authorized to debit receiver's account Must stop initiation of entries.
R11	Customer Advises Entry Not in Accordance with the Terms of the Authorization May reinitiate the ACH entry within 60 days of original settlement date of the original entry. Please see Reinitiating Returned ACH Debit Items for steps to reinitiate the transaction.
R16	Account Frozen Must stop initiation of entries.
R20	Non-Transaction Account Must stop initiation of entries.

REINITIATING RETURNED ACH DEBIT ITEMS

The National Automated Clearing House Association (Nacha) rules allow a returned entry to be reinitiated by the originator or Originating Depository Financial Institution (ODFI) under limited circumstances:

- Items returned as R01-Insufficient Funds and R09-Uncollected Funds may be reinitiated up to two times in an attempt to collect funds
- An ACH debit was returned for the reason of stop payment (return code R08), and reinitiating has been authorized by the Receiver
- An ACH entry was returned for another reason, and the Originator, or ODFI, has corrected or remedied the reason for the return

The reinitiated entry must meet the following criteria:

- Entry must be reinitiated within 180 days of the original effective date
- Entry may be reinitiated two times for a total of three entries
- Entry must contain identical information in the following files: Company Name, Company ID and Amount

You may collect fees for an entry that was returned for insufficient or uncollected funds, provided that all the following criteria are met:

- A Return Fee Entry may be initiated only to the extent permitted by applicable law, and only for an Entry that was returned for reasons of insufficient or uncollected funds (as denoted by the return codes R01 and R09);
- The Originator must provide specific prior notice regarding the Return Fee Entry;
- Only one Return Fee may be assessed with respect to any returned Entry;
- A Return Fee Entry must be specifically labeled “RETURN FEE” in the Description field.

STANDARD ENTRY CLASS CODE

A standard Entry Class Code (SEC) is a mandatory three-character code that is used in all batches to identify the various types of entries within a batch.

Ensuring you are using the correct SEC code helps you limit your liability for return entries, and helps you avoid potential fines that may be assessed for using the improper SEC codes:

PPD – PRE-ARRANGED PAYMENT OF DEBIT

- Most commonly used for direct deposit
- For business to consumer use only
- Written authorizations must be on file with recipient if you are debiting their account

CCD – CASH CONCENTRATION OR DISBURSEMENT

- For business to business use only
- Can use used for moving funds between a business’s own accounts at different institutions
- Used for payments or debits to other businesses

- Agreements are handled by contract authorization between companies

You cannot combine different recipient types (consumer and business) within a single batch. Different SEC codes are required based on the recipient type.

Example: You cannot generate an “ACH Batch” that contains employees for weekly payroll and also businesses you are paying for invoices or other payment needs. You would need to originate on PPD batch containing all the employee transactions, and on CCD batch containing all the business to business transactions.

AUTHORIZATIONS

As an Originator, you are required to adhere to the certain rules and agreements when initiating ACH transactions. An authorization is a document that is received by the Originator from the Receiver which authorized the Originator to initiate a transaction on behalf of the Receiver.

- Consumer authorizations must be in writing and signed or similarly authenticated by the receiver.
- The receiver must also receive a copy of the written authorization.
- The terms of the authorization must be clearly stated and understandable.
- Must contain instructions for termination.
- Originators are required to retain the authorization for two years from the termination or the revocation of the authorization.
- You must obtain authorization from a customer when making a one-time recurring ACH debit and must indicate very clearly to the consumer that they are authorizing a one-time/recurring ACH debit.
- You must take reasonable steps to ensure customer’ routing and account number.
- You must be vigilant about possible fraud and do whatever is commercially reasonable to ensure the ACH transactions you initiate are not fraudulent in nature.

CREDIT AUTHORIZATION SAMPLE

I (we) hereby authorization (**Company**) to initiate electronic entries to my (our) checking/saving account at the financial institution listed below, and, if necessary, initiate adjustments for any transactions credited/debited in error. This authority will remain in effect until (**Company**) is notified by me (us) in writing to cancel it in such a time as to afford (**Company**) and the financial institution below a reasonable opportunity to act on it.

Financial Institution _____

Financial Institution's Address _____

Routing Number _____

Account Number _____

Type of Account (Check one only):

Checking

Savings

ATTACH A VOIDED CHECK HERE

Print or Type Individual Name _____

Signature _____

Date _____

DEBIT AUTHORIZATION SAMPLE

I (we) hereby authorize _____ **Company Name** _____ (“Company”) to initiate debit entries to my (our) account (and if necessary, electronically credit my (our) account to correct erroneous debits) for (select one:

- A single (one-time) entry
- Recurring entries (that recur at substantially regular intervals without my affirmative action to initiate Future entries)
- Subsequent entries (initiated under the terms of my standing authorization) that require my affirmative action to initiate those future entries

As follows:

Account Type: _____ Checking _____ Savings

Institution Name: _____

Bank Routing Number (ABA): _____ Account Number: _____

Amount (or how amount is determined): \$ _____

Frequency (Weekly, Monthly, etc.): _____ Start Date (if recurring): _____

Action(s) the receiver must take to initiate a subsequent entry to a standing authorization (defined by Originator):

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY [insert manner of revocation, i.e., in writing, by phone, location, address, etc.] that I (we) wish to revoke this authorization. I (we) understand that COMPANY requires at least [X days/weeks] prior notice in order to cancel this authorization.¹

Signature _____

Date _____

RECURRING DEBIT AUTHORIZATION SAMPLE

You authorize regularly scheduled charges to your checking/savings account. You will be charged the amount indicated below each billing period. A receipt for each payment will be provided to you and the charge will appear on your bank statement as a preauthorized debit. You agree that no prior notification will be provided unless the date or amount changes, in which case you will received notice from us at least _____ days prior to the payment being collected.

I (we) _____ authorize _____ to charge my bank account
CUSTOMER NAME COMPANY NAME

below for \$ _____ on the _____ day of each

_____ starting _____.

Account Information

_____ Checking _____ Savings

Name on Account: _____ Bank Name: _____

Bank Routing Number (ABA): _____ Account Number: _____

I understand that this authorization will remain in effect until I cancel in writing, and I agree to notify _____ (**Company**) in writing of any changes in my account information or termination of this authorization at least _____ days prior to the next billing date. If the above noted payment dates fall on a weekend or holiday, I understand that the payments may be executed on the next business day. For ACH debits to my checking/savings account, I understand that because there are electronic transactions, these funds may be withdrawn from my account as soon as the above noted periodic transaction dates. In the case of an ACH Transaction being rejected for Non-Sufficient Funds (NSF) I understand that _____ **Company** may at its discretion attempt to process the charge again within 30 days, and agree to an additional \$ _____ charge for each attempt returned NSF which will be initiated as a separate transaction from the authorized recurring payment. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of U.S. law. I certify that I am an authorized user of this bank account and will not dispute these scheduled transactions with my bank; so long as the transactions correspond to the terms indicated in this authorization form.

Print or Type Individual Name

Signature

Date

¹Written debit authorizations must provide that the Receiver may revoke the authorization only by notifying the Originator in the time and manner stated in the authorization. The reference to notification should be filled with a statement of the time and manner that notification must be given in order to provide company a reasonable opportunity to act on it (i.e. "In writing by mail to 100 Main Street, Anytown, NY that is received at least three (3) days prior to the proposed effective date of the termination of authorization").