

# Updates and Upcoming Changes to the ACH Network

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[NACHA – The Electronic Payments Association®](#) unveiled updates and changes to the ACH Network which will take place in the coming years. As with most changes implemented by NACHA, these are to improve the overall quality of the ACH Network, reduce risk, increase customer satisfaction and clarify other rules with greater definition. A couple of these changes deal directly with unauthorized entries and are outlined below.

## **Reducing the Unauthorized Return Rate Threshold**

The rule will reduce the current return rate threshold for unauthorized debit entries (return reason codes R05, R07, R10, R29 and R51) from 1.0 percent to 0.5 percent. This revised threshold is still more than 16 times higher than the average ACH Network return rate of 0.003 percent for unauthorized debit entries for calendar year 2013. NACHA believes unauthorized debit returns at 0.5 percent would still indicate problematic origination practices, and therefore would be a useful tool to enable NACHA to focus on outliers of poor quality origination activity.<sup>1</sup>

This new rule will go into effect September 18, 2015 and will include all debits using any Standard Entry Class (SEC) Code. The rule will not apply to credits returned as unauthorized. There are two methods used to calculate an unauthorized return rate. The first method divides the number of debit entries returned as unauthorized for the preceding 60 days or 2 calendar months by the total number of debit entries contained within the ACH File(s) in which the original entries were transmitted. The second method calculated the unauthorized return rate by dividing the number of debit entries returned as unauthorized for the preceding 60 days or 2 calendar months by the total number of debit entries originated for the preceding 60 days or 2 calendar months.

## **Improving ACH Network Quality – Unauthorized Entry Fee**

This rule is intended to improve ACH Network quality by reducing the incidence of ACH debits returned as unauthorized. Under this rule, an Originating Depository Financial Institution (ODFI) would pay a fee to the Receiving Depository Financial Institution (RDFI) for each ACH debit returned as unauthorized (return reason codes R05, R07, R10, R29 and R51). Under the rule, ODFIs will have an economic incentive to improve the quality of the ACH transactions they originate. RDFIs will be compensated for a portion of

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<sup>1</sup> <https://www.nacha.org/rules/ach-network-risk-and-enforcement-topics>



the costs for handling unauthorized transactions, and will experience reduced costs due to a reduction in unauthorized transactions over time.<sup>2</sup>

This rule will go into effect October 3, 2016. RDFIs will benefit directly from the Unauthorized Entry Fees that will be paid by ODFI's whose Originators have submitted the Unauthorized Entries into the ACH Network. The estimated range is expected to be \$3.50-\$5.50 per unauthorized Entry. This would result in a direct benefit to RDFIs of \$10.3 million to \$16.2 million annually.

To learn more about the NACHA rules and how they impact your business, please contact your Client Services Associate at FirstTech, call 1.800.800.1592 or visit [FirsTechPayments.com](http://FirsTechPayments.com).

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<sup>2</sup> <https://www.nacha.org/rules/improving-ach-network-quality-unauthorized-entry-fee>

