



## AUTOMATED CLEARING HOUSE ORIGATION

### WHAT YOU NEED TO KNOW

#### What is ACH Origination?

ACH origination refers to the creation and submission of electronic transactions to move funds between bank accounts using the automated clearing house (ACH) network. The process allows businesses, government agencies, and other organizations to send or receive money efficiently using paper checks or card networks.

#### Role of an ACH Originator

It is your responsibility to comply with the ACH rules designated by the National Automated Clearing House Association (NACHA). The ACH rules book or online access is available on request. Transaction types may include payroll payments, utility payment collections, or sending or receiving funds electronically.

#### Processing ACH Transactions

There are multiple ways to initiate ACH transactions as an ACH originator.

- Build a file within online banking.
- Upload a NACHA file that has been generated from your accounting/payroll system.

#### ACH Settlement

ACH transactions can be sent for future date processing (settlement) or same-day processing (when enabled).

ACH files can be originated through business banking and will be processed every business day. ACH files originated through business banking must be cancelled based on payment date and the corresponding processing time. For example, future-dated ACH payments must be cancelled by 7:30 a.m., CT on the day before they are scheduled for payment. Same-day or next-day ACH payments must be cancelled by 12:30 p.m., CT on the day they are submitted. Please see the [Cutoff and Retention Quick Reference Guide](#) for additional details.

#### What is Same-Day ACH?

Same-day ACH is the ability to originate an ACH file that will be received and processed by the end of the day of the receiving institution's local time. For a file or entry to qualify as same-day, it must meet the following criteria:

- File must be submitted by 12:30 p.m., CT.
- Individual entries to the same payee cannot exceed \$1,000,000.00.
  - The file total can be greater than \$1,000,000.00.

#### Authorization Requirements

As an ACH originator, it is your responsibility to comply with the ACH rules designed by NACHA. If you are debiting a consumer you are **required** to have written authorization. It is encouraged to have written authorization for any ACH transaction you are originating. The authorization must include:

- Full name
- Routing number
- Account number
- Frequency
- Amount
- Manner of revocation

You should review your authorization forms annually. ACH authorization samples can be viewed here: [ACH Origination Resources – Alerus Financial](#).

Additional requirements:

- Signed authorizations must be securely retained for two years past revocation date.
- When no longer needed, signed authorizations should be shredded and properly disposed to ensure information is no longer readable or capable of being reconstructed.

## ACH Company Entry Description

A company entry description is a field used in ACH transactions to describe the purpose or intent of a transaction. In most cases the company entry description is provided by the ACH originator to help the recipient understand the reason for the transaction. Recent rule changes have outlined certain situations that require specific company entry descriptions to be used.

- **Payroll description requirement.** All ACH payments for wages, salaries, or similar forms of compensation must include PAYROLL in the company entry description field. Use PAYROLL when:
  - You are paying employees or individual compensation, and
  - The payment represents wages, salary, or similar earnings.
- **Purchase description requirement.** All consumer e-commerce debit entries must include PURCHASE in the company entry description field. This requirement applies specifically to web ACH originators. Use PURCHASE when all of the following are true:
  - The ACH originator is debiting a consumer account, and
  - The consumer authorized the purchase of goods (tangible items), and
  - The consumer authorized the purchase online.

## What Qualifies as an E-Commerce Purchase?

NACHA defines an e-commerce purchase as “a debit entry authorized by a consumer for the online purchase of goods, including recurring purchases that were first authorized online.”

## SEC Code Requirement (Important)

- E-commerce purchases must be submitted using the WEB debit SEC code.
- The TEL SEC code may only be used when permitted under the Standing Authorization rule.

## Pre-Notification (Prenote) Transactions

A pre-notification, or prenote, is a non-monetary entry (\$0.00) used to verify the receiver’s account and routing number.

---

**Note:** Wait three business days after sending a prenote to allow time for a return or notification of change before transmitting money.

---

## ACH Returns and Corrections

A notification of return (NOR) occurs when an ACH transaction sent through the ACH network cannot be processed and is sent back to the originator. This can occur for several reasons, such as incorrect account numbers, insufficient funds, closed accounts, or unauthorized transactions. If you receive a return, review the notification details and follow these steps depending on the notice type.

- **Unauthorized/authorization revoked returns**
  - Contact the receiver to understand why they returned the entry.
  - **Do not** reinitiate an ACH without their consent.
  - Document the situation and the outcome of the conversation.

### ■ **Administrative returns**

- Returns include no account found, invalid account number, and account closed.
- Contact the receiver to verify the account information.
- Consider requesting proof of the account, such as a voided check.
- Review internal processes and implement dual control to verify the account.

### **Notification of Change**

A notification of change (NOC) is a non-monetary entry used to inform the sender that information contained in the original ACH entry is incorrect. This is sent by the receiving bank to the originator to ensure that any subsequent transactions contain updated information. NOCs are typically used when a receiving bank processes an ACH transaction but identifies that the account information needs to be corrected. For example, the bank routing number has been changed due to a bank merger, the account type is incorrect (funds sent to a checking account, but the account is a savings account), etc.

If you receive a notification of change, review the notification details and follow these steps to correct the issue. Failure to make necessary corrections may result in future fines from NACHA.

- Contact the receiver to confirm the correction information.
- Update the payee bank account information before initiating the next ACH.

### **How Will My Company Be Notified of Returns or Corrections?**

- You will designate one or more individuals to receive secure email notifications when you have a return item or correction. These emails will come from an encrypted email address and will include a .zip folder and a .pdf notification. Your IT department may need to review and allow the email from this recipient. For additional information, contact the Treasury Management Solutions Center.
- Notices of returns or corrections for entries that were being sent to another Alerus client will be distributed from our deposit operations or treasury management department, using an Alerus email address. The emails will be sent using Alerus' secure email and will require a log-in and password to view the contents.

### **Can I Access the Information Any Other Way?**

- Reports can be accessed directly at <https://achedi.com>.
- Reports are available for 60 days following notification.

Refer to the [2026 ACH Quick Reference Card](#) for instructions to handle these types of transactions.

### **ACH Reversals**

If a file or transaction is sent in error, a reversal file may be sent to correct it. Important things to note:

- Reversals are separate files from the original transaction.
- A reversal must be processed within five business days of the original transaction settlement.
- Reversal files do not undo or stop the original file; they serve as opposites to the original files to cancel them out.
  - If the original file were to credit the payee, the reversal would debit them.
  - If the original file were to debit a payee, the reversal would credit them.
- Reversals are not guaranteed to be accepted by the payee. The receiver/receiving bank is allowed to return just the reversal file or transaction.

## New ACH Fraud Monitoring Rule

As an ACH originator you are required to establish and implement fraud-monitoring processes and procedures that are designed to identify ACH entries initiated due to fraud. These requirements apply to all ACH originators, regardless of size or transaction volume. Important clarifications:

- The rule does not require ACH entries to be individually screened.
- Fraud monitoring does not need to occur before transactions are processed.
- Monitoring should be consistent, documented, and risk based.

## Why This Matters

ACH fraud attempts continue to increase across the industry, particularly schemes that rely on deception rather than system compromise. These schemes often involve tricking businesses into sending legitimate payments to fraudulent accounts. By expanding fraud-monitoring expectations and clarifying responsibilities, NACHA aims to:

- Strengthen fraud prevention at the point where payments are initiated
- Reduce the overall incidence of ACH fraud
- Improve the ability to recover funds when fraud occurs

As you develop or enhance your fraud-monitoring practices, consider including:

- Documented, risk-based procedures to identify suspicious ACH activity
- Regular reviews (at least annually) to assess effectiveness and make updates
- Management review and approval of fraud-monitoring procedures
- Employee training to ensure procedures are consistently followed

The amended rule does not prescribe a specific technology or solution. Controls should be appropriate for your organization's ACH activity, complexity, and risk profile.

## Ongoing Responsibilities

ACH originators should perform the following actions at least annually:

- Review existing processes and procedures and update them as needed
- Ensure current controls are understood and followed consistently
- Identify additional measures to mitigate unauthorized transactions and those authorized under false pretenses, including fraud schemes involving:
  - Business email compromise (BEC)
  - Vendor impersonation
  - Payroll impersonation

Please refer to the Treasury Management Resource Center for ACH fraud monitoring guidelines when considering what to include in your procedures.

## ACH Best Practices

As an ACH originator, it is your responsibility to safeguard any information related to the submission of ACH transactions. We encourage you to review and implement the following best practices for securing your ACH information.

- **Dual control.** Use multiple employees with separate duties to submit ACH files, (i.e., one to create and one to authorize).
- **Limit user access.** Only allow access to ACH online if sending an ACH file is part of an individual's job duty. Additionally, we encourage you to regularly review employee activity logs for unusual behavior.
- **Security or data concerns.** If you have any questions or concerns related to safeguarding your data, please contact our Treasury Management Solutions Center.

- **Employee training.** Implement internal controls and procedures to ensure employees processing ACH transactions understand their role and responsibilities to properly process transactions and protect against fraud.
- **Prompt response to inquiries from Alerus.** From time-to-time Alerus may contact you regarding your originated entries. It is important to verify with whom you are speaking and assist as needed to ensure that your transactions are processed as intended. You are welcome to call Alerus directly at 800.279.3200 to ensure you are speaking to an Alerus employee.

The [Fraud Protection Checklist](#) provides additional suggestions for protecting your business and your clients from fraud.

## Glossary of Terms

- **Originator.** Your company is the originator and has been given authorization by the receiver to either debit or credit their account.
- **Receiver.** The receiver is the individual or business that has authorized the originator to process a transaction on their account.
- **Originating depository financial institution (ODFI).** Originated transactions must begin processing through an ODFI, such as Alerus. We have a contractual relationship with your company for ACH services and will process your files to the ACH operator on your behalf.
- **Receiving depository financial institution (RDFI).** A financial institution identified by routing number in the originated transaction to receive the funds.
- **ACH operator.** The centralized clearing network for ACH transactions.
- **ACH company entry description.** A brief description of the transaction that appears on the client statement to help them understand *why* the ACH debit or credit occurred.