



tranzpay.io

# ACH 2021 NEW RULES

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NATIONAL AUTOMATED CLEARING HOUSE ASSOCIATION



*Latest Update*

## WHAT ARE THE CHANGES FOR 2021?

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The latest advancements in the field of technology have improved the way businesses conduct their day-to-day operations. With the Automated Clearing House (ACH), merchants can facilitate payment transfers quickly, easily, and securely.

In the United States, the National Automated Clearing House Association (NACHA) is a non-profit organization that is engaged in the administration, governance, and development of the ACH network. Many financial institutions are part of this organization, and these are the same entities or individuals who provide the necessary funding for NACHA. As part of the functions of NACHA, it provides certain rules and regulations that banks, companies, and businesses need to observe when it comes to dealing with the ACH network.

There are around 11,000 financial institutions that are part of the National Automated Clearing House Association (NACHA). These institutions will be affected by the upcoming changes in the rules and regulations set by NACHA, concerning the ACH network.

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Where we are  
**GOING**

As a business, this is something that you need to be aware of. Keep in mind that these updates in the NACHA Rules can directly affect how you operate your firm or company. Knowing the new rule changes in 2021 can also help you start implementing new strategies or solutions for your business. Remember that it is crucial on your part to adapt to the new guidelines. Any violation with the NACHA Rules can have adverse consequences, which you should make an effort to avoid at all costs.

### ***What are the changes?***

Beginning in March 2021, NACHA will implement a new rule requiring businesses that debit funds via ACH for online orders to implement enhanced fraud detection.

The new NACHA rules will take effect in **March 19, 2021**. By this time, you should already be compliant with the new updates. Here are the possible impacts you should be aware of:

- There is a possibility that the ACH Originators' fraud detection systems will be subjected to a re-tooling.
- The implementation of a system for originators that are currently not performing any fraud detection for WEB debits.
- These may increase the cost of originating WEB debits for some parties.
- The Receiving Depository Financial Institutions (RDFIs) could receive a greater volume of ACH prenotifications, micro-transactions, or other account validation requests. Some could be in lieu of receiving live-dollar transactions initially.

Based on the official website of National Automated Clearing House Association, the status of the "ACH 2021 Rule Changes" are still UPCOMING.

**FIND OUT MORE IN THE NEXT PAGES...**

NACHA  
ACH 2020

# ACCOUNT VALIDATION

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Account Validation plays a vital role in ensuring that all transfers made through ACH are highly secured. This is why there are several changes that you can expect to experience with the latest NACHA update, that will take place on March 19, 2021. These new guidelines are expected to decrease fraud in payment transfers.

Under Article Two, Subsection 2.5.17.4 on Additional ODFI Warranties for Debit WEB Entries, account validation is already considered as the main component of a "commercially reasonable fraudulent transaction detection system." This means that all ACH originators of WEB debit entries should use account validation as a supplement as part of its check. The validation is required for new account numbers or when there are new changes to existing account numbers.

It must be noted that currently, account validation is not a requisite in processing payments or money transfers using the Automated Clearing House system. At the same time, it is not also universally used by several merchants worldwide.

As a result, some people or entities succeeded in undertaking fraudulent transactions. To ensure that these instances are lessened in the future, the NACHA Rules have been updated to include account validation. For the upcoming year, you should be prepared to comply with this new requirement. Indeed, account validation will soon be modernized to adapt to changing times.



# SECURE PAYMENTS

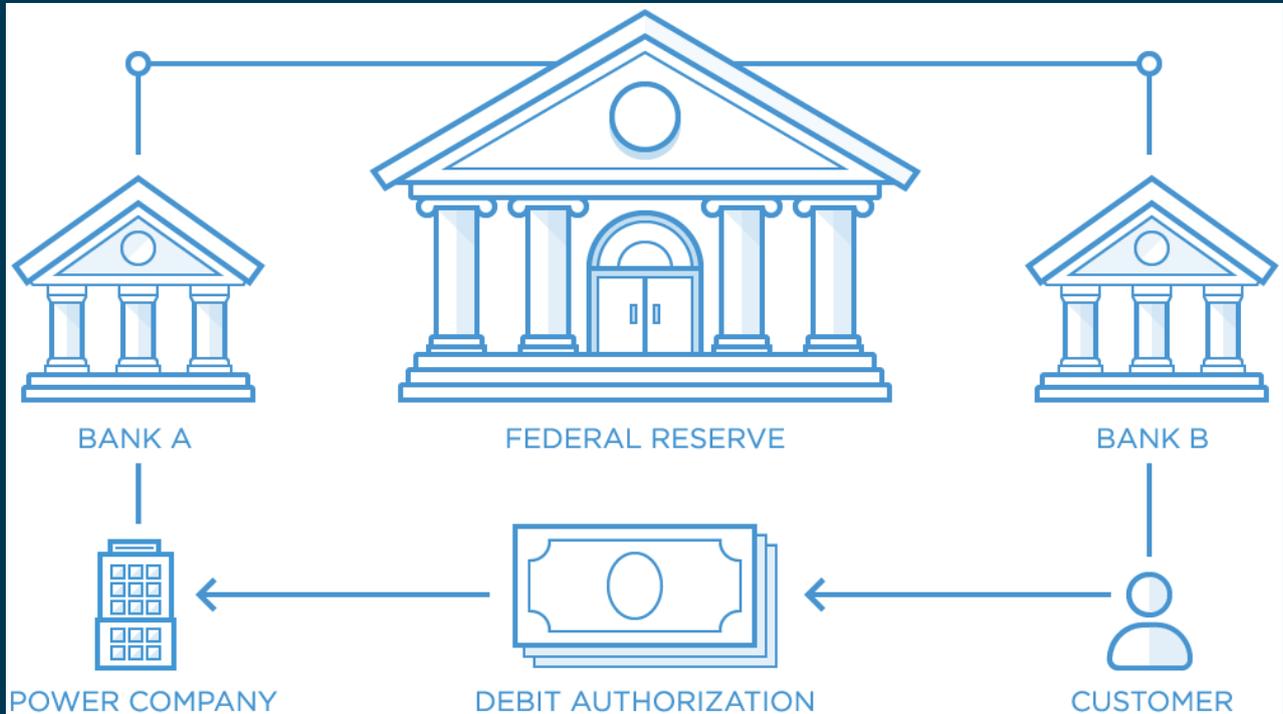


Figure 1 - Automated Clearing House System: This is still the same system that will be used even after the New NACHA 2021 rules will be implemented.



Source: Javelin Strategy & Research, "2019 Identity Fraud Study," March 2019.

Figure 2 - Fraud Incidents: This shows that there has been a great number of fraudulent transactions or incidents in the past, which the NACHA aims to address with the implementation of a new set of guidelines.

# IMPACT ON WEB DEBITS

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At this point, you have to understand the fact that the new changes to NACHA Rules will affect several entities. You need to be mindful of the fact that all payment originators, regardless of the industry, will be impacted with respect to its web debits. If you are one of these originators, then you should comply with the new requirements.

Take note that there are not exceptions under the new rule. Whether a small or big firm or coming from any industry, the payment originators should follow the NACHA Rules 2021.

As already mentioned in the previous page, there are two instances when account validation becomes a requirement before a web debit can be successfully processed, such as:

1. For first time users who will submit a new account number
2. Existing users who will introduce changes in their account numbers

The account validation includes updates on the following items:

- Account status
- Payment history, particularly NSF or chargeback history
- Ownership, and matching ownership to the payment originator
- Consistency of Personally Identifiable Information (PII), including name, address, phone number, email and more



# SOLUTION...

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**ACH Verifi** by **tranzpay.io** provides account validation as well as next day funding all in one platform.

# ACH VERIFI DATABASE

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ACH Verifi Database by **tranzpay.io** was designed and built for today's methods of funds movement. The focus is on ACH, Remote Deposit Capture, eCheck and Paper Check transactions.

Verifi, Advantage and Plus transactions ALL start with information in the Verifi Database.



## TYPICAL REPORTS WILL INCLUDE:

- rVd validates the bank routing number is active and valid.
- Looks for outstanding unpaid checks, eChecks or ACH transactions.
- Reports account closed information on the account.
- Provides a decision code (accept, decline or warning) based upon each customer's custom design.
- Provides additional historical information not available anywhere else.
- Returns the name of the consumer or business if resident in the database.
- Allows for custom risk and velocity settings per customer.
- Optional OFAC check on consumer name.
- Required for many industries such as money service providers.

## ACH Verifi Database

- Over 1 Billion total account records
- Includes data from retail, online, bill payment, collection agencies, and lending industries.
- Populated in real-time 24/7.
- Available by API, Batch, virtual terminal, and Point of Sale Terminal.

### Verifi Advantage

Looks at historical data on the bank account PLUS utilizes proprietary algorithms and formulas to ensure the format of the bank account follows the requirements of the bank.

### Verifi Plus

Looks at historical data on the account, validates the format of the account, PLUS accesses national banking and retail databases to provide additional information on the account.

## COMPARISON MATRIX:

Feature:	Advantage	Plus
Validates bank routing number	X	X
If Driver's License is provided, validates the DL number follows the structure required by the issuing State.	X	X
Checks database for returned and good history on account	X	X
Returns known history, name, telephone information	X	X
Custom velocity setting for new customers, known customers, and frequently seen customers.	X	X
Provides Decision Code on all transactions	X	X
Provides Optional OFAC checking	X	X
Validates the structure of the Account is correct for the issuing bank	X	X
Provides Risk Level code on all transactions		X
Accesses additional financial and retail databases		X



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