**Please be advised that the information and recommendations in regard to best practices offered herein are not to be construed as legal advice or guidance. ACH Processor does not warrant that this information is free from inaccuracies, omissions or inconsistencies or is always current. ACH Processor accepts no responsibility or liability in regard to the utilization of this information. It is recommended that you, as an entity accepting electronic payments, consult legal counsel as appropriate in regard to the development of your business policies and practices or the preparation of materials, information or disclosures which you may provide to customers or others in support of your payment acceptance process. The term “Rules” when used herein refer to the 2012 NACHA OPERATING RULES AND REGULATIONS as published by the National Automated Clearing House Association of the US Federal Reserve. Additional information and guidance can be obtained at** [**www.nacha.org**](http://www.nacha.org)**.**

# INTRODUCTION

The Automated Clearing House Network is the most efficient, reliable, secure and economical funds transfer and payment system in the world. The Use of the ACH Network by businesses and organizations to collect payments, transfer funds, pay vendors or employees is a privilege and one which requires diligent adherence to the Rules of the Network. The rules of the most importance and those most highly enforced relate to the payee; the entity entering the payment into the Network (referred to as the “Originator”) having the clear and obvious permission of the payer (known as the “Receiver”) to initiate the withdrawal or deposit of funds to or from the Receiver utilizing the ACH Network. The purpose of this guide is to provide you with the fundamental and minimum requirements in regard to obtaining compliant payment authorization.

The “Effective Date”: When constructing your authorization language, whether as phone scripts, as online disclosures or as a part of your service or purchase agreements, it is important to always advise the payer of the “effective date” of the payment or withdrawal. The effective date will always be the following business banking day after the day on which you enter the payment into the ACH Processing System. This is the day when the payer will see that the funds have been withdrawn from their bank account. In order for the payment to have an effective date of the following banking day, the item must be entered into the ACH System System before 4:30 PM Arizona Time on the prior banking day. For example, if you are accepting a payment after 4:30 PM AZ Time the on a Monday, and Monday is not a bank holiday, the effective date of the payment will be the following Wednesday.

 If ACH Payments are an important element of your business or organization, it is highly recommended that you obtain and study a copy of the most recently published NACHA Operating Rules & Guidelines, Corporate Edition. This publication can be purchased as a book or CD by visiting [www.nacha.org](http://www.nacha.org).

# PRODUCING AND SUPPLYING AUTHORIZATIONS

On occasion, ACH Processor may request that you provide a copy of a payment authorization (Proof of Authorization) in regard to a particular transaction or series of transactions. The reasons for this request can be:

Compliance Audit: ACH Processor, an Originating Bank, or a Regulatory Authority is conducting a random audit of ACH Processor’s clients in order to insure that proper methods of authorization are in use.

Receiving Bank Request: The Payer’s Bank, based on a claim from the Payer that the withdrawal was not authorized, has requested that proof of authorization is provided.

Consumer Complaint: A Payer has contacted ACH Processor and lodged a complaint in regard to a withdrawal.

Regardless for the reason a Proof of Authorization is requested, it is of the utmost importance that you provide evidence that the payment was duly authorized within 5 business days of such request. The section below will describe what would constitute a valid authorization based upon how the authorization was attained. Failure to provide a valid “roof of Authorization” can result in the temporary suspension or permanent termination of your ACH account.

# RETENTION OF AUTHORIZATION RECORDS

You must retain the “Proof of Authorization” records for a two year period from the date of the transaction in order to assist in protecting yourself from future claims arising out of that payment. Although the rules of the Automated Clearing House Association (NACHA) and the Regulation E of the Consumer Protection Act do limit the timeframes within which a consumer or business can contest a payment, various State statutes of limitations may apply and allow future claims by Payers well beyond those timeframes. Additionally, most State or Federal Regulatory or Law Enforcement Agencies investigating consumer complaints or financial crimes would expect such records to be retained for a minimum of two years.

# SINGLE ENTRY TELEPHONE PAYMENTS

The Rules governing a single entry (one payment only), telephone initiated payment (TEL) require that certain information is recited to the Payer and acquired from the Payer. The sample script below includes all the recommended, minimum disclosures and information requirements for a verbally authorized single payment over the telephone. It is not necessary that your script is in this exact format. Your script should also disclose additional details about the terms and conditions of the sale, payment, subscription or service to include instructions on how to cancel the service, return the product, terminate the payment authorization or contact you in the event of an inaccuracy in the amount or date of the payment or another question or concern relating to the transaction.

The Rules require that you either record the authorization portion of the call (or the entire call if preferred) or that you send an email or written notification to the Payer at the conclusion of the call which verifies the authorization to the Payer and provides the Payer with a phone number through which they can contact you in the event that any of the information is incorrect or if they wish to rescind the authorization and cancel the payment. Whether the confirmation is in the form of an email or a mailed letter, it must reach the Payer in advance of the actual date of the withdrawal.

It is strongly recommended that you do record verbal authorization as opposed to rely upon a confirmation email or letter as a recording is verifiable evidence that the payment was compliantly and duly authorized.

If recording the verbal authorization, the Payer must give permission for that portion of the conversation to be recorded unless permission or notification that call is subject to recording is provided at the onset. For your protection, we strongly recommend that you record all verbal payment authorizations as opposed to rely on a confirmation letter or email as a Payer can dispute that such was ever received.

## Authorization is for a single payment:

If utilizing a voice recording and permission to record the call has not been previously provided:

“I am now going to take your payment information. For verification and compliance purposes I will be recording this portion of our call, do I have your permission to record your payment authorization?”

Can you repeat your name as it appears on the bank account from which we will be withdrawing your payment?

May I have the name of your bank?

May I have the bank routing number?

May I have the bank account number?

The amount of the payment you are authorizing today (recite today’s date) is $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

To confirm, you are authorizing (Company Name) to initiate this single entry debit from the bank account provided and that you are an owner of or an authorized singer on this account. The payment is being initiated today (Month and Day) and will have an effective date and appear as a withdrawal from your account on (the following business banking day / Month and Day).

Do I have your permission to initiate this payment? If so, please say “yes.”

If you have any questions or concerns, wish to cancel your (order / service / subscription / membership) or if the amount or date of the payment is different from what you have authorized, please call us at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Our customer service hours are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If utilizing email or written verification: Upon the conclusion of our call, I am required to send you an email for the purpose of confirming your payment authorization. If you do not receive this email shortly after we end this call, please call back at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and the confirmation will be resent. May I have your email address? Can you repeat that address again so I can insure its accuracy?

## Verification email or mailed confirmation letter when authorization is for a single payment:

The name of the Company or Entity should be at the header of the email or if mailed, presented on a Company Letterhead.

The verification email or letter should summarize the basic terms of the transaction to include the amount and date the payment was authorized and effective date of the payment, the purpose of the payment, a means for canceling the payment and any other important terms and conditions in which good business practices would dictate disclosure.

Payer’s Name

Today’s Date

Thank you for your order (and/or payment)

Please accept this email as confirmation of the duly authorized, electronic debit from the (Name of Bank) bank account provided in the name of (Accountholder) ending in (last four digits of the bank account number) in the amount of (Dollar Amount) verbally authorized by you on (Date) for the payment of (Description of the Product / Services or the purpose of the payment) to (Company or Entity Name).

The effective date of the payment will be (Date) or the following banking day.

If you have received this notification in error, the information provided herein is incorrect or you wish to cancel and rescind this authorization or receive a refund, please call us at (Customer Service Number) or email us at (Customer Service Email).

(Any additional, appropriate information or disclosures)

NOTE: Never send the complete bank account number in a non-encrypted email. It is recommended that, for clarity sake, you should recite only the last four digits of the account and omit the bank routing number)

## Proof of Authorization:

A digital recording of the verbal authorization and/or a copy of the original email or confirmation letter

If providing an email copy, the email should be date and time-stamped and show the full email address of the Payer.

# RECURRING TELEPHONE PAYMENTS

The ACH Rules governing a series of recurring entries (the authorization for more than one payment), telephone initiated payments (TEL) require that certain information is recited to the payer and acquired from the payer. The sample script below includes all the recommended, minimum disclosures and information requirements for a verbally authorized payment over the telephone. It is not necessary that your script is in this exact format. Your script should also disclose additional details about the terms and conditions of the sale, payment, subscription or service to include instructions on how to cancel the service, return the product, terminate the payment authorization or contact you in the event of an inaccuracy, question or concern.

The Rules require that you record the authorization portion of the call (or the entire call if preferred) AND that you send an email or written notification to the payer at the conclusion of the call which verifies the authorization and series of payments to the payer and provides the payer with a phone number through which they can contact you in the event that any of the information is incorrect or if they wish to rescind the authorization and cancel the payment. Whether the confirmation is in the form of an email or a mailed letter, it must reach the Payer in advance of the date of first the withdrawal.

You must retain the authorization recordings and email or mail notifications for a period of two years from the date of the authorization. Please be advised that it if ACH Processor, a payer, regulatory agency, originating or receiving bank challenges the authenticity of the recurring transactions and you cannot provide evidence of a valid authorization in the form of a voice recording, you could experience regulatory and legal consequences as well as lose ACH payment privileges.

If recording the verbal authorization, the Payer must give permission for that portion of the conversation to be recorded unless permission or notification that call is subject to recording is provided at the onset.

## Authorization is for a series of recurring payments:

When initiating a voice recording and permission to record the call has not been previously provided:

“I am now going to take your payment information. For verification and compliance purposes I will be recording this portion of our call, do I have your permission to record your payment authorization?”

Can you repeat your name as it appears on the bank account from which we will be debiting your payment?

May I have the name of your bank?

May I have the bank routing number?

May I have the bank account number?

May I have your email address?

The amount of the (Monthly, Weekly, Quarterly) payment you are authorizing today (recite today’s date) is $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

You are authorizing (number) of payments in this amount and you are authorizing us to withdraw this payment from your account on the dates specified during the term of your agreement or while your service / subscription in effect and until you cancel or your agreement terminates as scheduled.

The first payment will be withdrawn from your bank on and have an effective date of (Month / Day). Then, (Number) subsequent payments on the (Day of each (Month or other specified cycle) for the duration of this authorization and term of your (Agreement, subscription, service plan, payment plan, etc).

To confirm, you are authorizing me to initiate these withdrawals from the bank account provided and that you are an owner of this account.

Do I have your permission to initiate these payments? If so, please say “yes”.

If you wish to cancel and terminate this payment authorization, if you have any questions or concerns or if the amount of the payment is different from what you have authorized, please call us at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Our customer service hours are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Please watch your inbox as we will be sending you an email confirming this verbal authorization for these recurring payments.

## Verification email / letter confirmation if authorization is for a series of recurring payments:

The name of the Company or Entity should be at the header of the email or if mailed, presented on a Company Letterhead.

The verification email or letter should summarize the basic terms of the transaction to include the amount and date the payment was authorized and effective date of the payment, the purpose of the payment, a means for canceling the payment and any other important terms and conditions in which good business practices would dictate disclosure.

Payer’s Name

Today’s Date.

Thank you for your business.

Please accept this email/letter as confirmation of the electronic debit payments which you have authorized us to withdraw from the (Bank Name) bank account provided to us in the name of (Account Holder Name) ending in (last four digits of the bank account number) as payment for (Description of Product / Service or the purpose of the payment).

The date you provided this authorization is: (Date the verbal authorization was received)

The effective date of your first payment is (Date) followed by (Number of Payments) or (until your service / subscription / membership is cancelled). These payments will be withdrawn from your bank account (description of the frequency and timing of the payment and/or the actual day of the month on which the payment will occur) until you notify us of your intent to cancel and/or rescind this authorization.

If you have received this notification in error, the information provided herein is incorrect or you wish to cancel and rescind this authorization or receive a refund, please call us at (Customer Service Number) or email us at (Customer Service Email).

(Any additional, appropriate information or disclosures)

NOTE: Never send the complete bank account number in a non-encrypted email. It is recommended that, for clarity sake, you should recite only the last four digits of the account and omit the bank routing number)

## Proof of Authorization:

A digital recording of the verbal authorization and a copy of the original email or confirmation letter

If an email copy, the email should be date and time-stamped and show the full email address of the Payer. If a letter is provided, it should show the mailing address of the Payer.

# WRITTEN AUTHORIZATION

The ACH Rules governing a payment or series of payments which are authorized by a payer as part of a written notification, agreement or contract require that certain disclosures be made and certain information be collected as a part of that agreement.

Best practices dictate that the ACH Payment Authorization be evidenced by a separate signature from the payer wherein the payer is specifically acknowledging the payment authorization as opposed to simply incorporating the authorization language into the body of the agreement or contract.

## Example if authorization is for a single payment:

Company Name

I hereby authorize (Business or Entity Name), to initiate an electronic debit withdrawal from my account with the Financial Institution indicated below in the amount of $\_\_\_\_\_\_\_ for the purpose of (description of the purpose of the payments). Furthermore, I assert that I am the owner or an authorized signer of this bank account.

The effective date of the withdrawal debit will be (Date)

Type of Account: [ ]  Checking Account [ ]  Savings Account

Financial Institution Name:

Financial Institution City and State:

Name on Account:

Transit/ABA No.

Account No.

Please sign and date this authorization below.

Your Signature

Today’s Date

If I have any questions or concerns in regard to this payment or the payment does not occur on the date or in the amount authorize, or you wish to rescind this authorization, I can call (Customer Service Phone Number) during the following business hours: (Business Hours)

Note: You may wish to request a voided check or in order to verifying that the routing and account number above is accurate and that the bank account is, in fact, in the name of the payer.

## Proof of Authorization:

A copy of the signed authorization

## Example if the authorization is for a series of recurring payments or payments as due:

I hereby authorize (Business or Entity Name) to initiate debit withdrawal entries from my account with the Financial Institution indicated below for the purpose of collecting payments in regard to (description of the purpose of the payments) or other charges as they become due and payable under the terms and conditions of the attached (Agreement or Contract). [If practical the specific frequency (weekly, quarterly or annually) and/or date of the month the payment will be effective should be indicated]. Example:

The payments which I am authorizing will be withdrawn from my account on the (Day of the Month). If that day falls on a weekend or bank holiday, the withdrawal shall occur on the next business banking day.

This authority is to remain in full force and effect until (Business or Entity Name) has received notification from me of its termination in such time and in such manner as to afford (Business or Entity Name) and the Financial Institution a reasonable opportunity to act upon it. Furthermore, I assert that I am the owner or an authorized signer of this bank account

I have verifies with the Financial Institution that the account indicated below is capable of receiving an ACH Debit or Credit item.

Type of Account: [ ]  Checking Account [ ]  Savings Account

Financial Institution Name:

Financial Institution City and State:

Name on Account:

Transit/ABA No.

Account No.

Please sign and date this authorization below.

Your Signature

Today’s Date

If I have any questions or concerns in regard to these payments, the payments do not occur on the dates or in the amounts authorized or I wish to rescind this authorization, I can call (Customer Service Phone Number) during the following business hours: (Business Hours)

Note: You may wish to request a voided check or in order to verifying that the routing and account number above is accurate and that the bank account is, in fact, in the name of the payer.

## Proof of Authorization:

A copy of the signed authorization

# PAYMENT INITATED ONLINE OVER THE INTERNET

The ACH Rules governing a payment or series of payments initiated by a payer on a website (WEB) require that certain printed disclosures be provided on the web page where the payment is initiated. Those disclosures must be presented in a clear and demonstrable manner prior to (or above) the button via which the payer “Submits” the payment.

Best practices dictate that the website either provide the ability for a receipt of the transaction to be printed or saved by the payer or an email notification verifying the details of the transaction be dispatched to the payer at the conclusion of the transaction.

Some reasonable mechanism should be in place to verify the identity of the payer. Ideally, the payment page will reside behind a personal account requiring the payer to log in with or establish a user name and password. The payer and/or account should be associated with a customer /account number or other information that verifies the payer is the customer of record.

The payment page must reside on a server protected by a shared or dedicated SSL Certificate and reside behind a secure firewall. When on the payment page, the URL will begin with the designation https://. The “s” indicates a secure server address. The Payment page must display the SSL Certificate Credentials and provider. Adequate additional security provisions should be in place such as activity monitoring and the server should be hosted in a secure datacenter or with a qualified web hosting provider. Please be certain that firewalls are regularly updated with current security patches and settings.

## Example if authorization is for a single payment:

Text similar to that provided in the example below should appear adjacent to or above the tab on the payment page where the payer completes the transaction:

By clicking on “Submit” I hereby authorize (Business or Entity Name) to initiate an electronic withdrawal from the above indicated bank account in the amount entered (or provided) on this page. I understand that if this transaction is submitted after 6:00 PM Eastern Standard Time, it will have an effective date of no sooner than the next business-banking day and will show as a withdrawal from my account on that date. If I wish to rescind this authorization and cancel this payment, or the amount withdrawn from my account is different than the amount authorized herein, I may call (Customer Service Number) during the following business hours (Business Days and Hours). Furthermore, I assert that I am the owner or an authorized signer of the bank account provided.

## Example if the authorization is for a series of recurring payments:

By clicking “Submit” I hereby authorize (Business Name or Entity) to initiate (monthly, weekly, quarterly , or annual) electronic debit withdrawals from the indicated bank account for payments in the amount of (Amount) (or as they become due and payable under the terms and conditions of the agreement) and as described herein.

The first payment will be withdrawn from your bank on (Month / Day) or (the following business banking day), then, (Number) subsequent payments on the (Day of each (Month or other specified cycle) for the duration of this authorization and term of your (Agreement, subscription, service plan, payment plan, etc). I understand that if this transaction is submitted after 6:00 PM Eastern Standard Time, it will have an effective date of no sooner than the next business-banking day and will show as a withdrawal from my account on that date. If I wish to rescind this authorization and cancel this payment, or the amount withdrawn from my account is different than the amount authorized herein, I may call (Customer Service Number) during the following business hours (Business Days and Hours). Furthermore, I assert that I am the owner or an authorized signer of the bank account provided.

It is strongly recommended but not required that your web payment application dispatch an email confirmation to the Payer. If providing an email confirmation, please do not include complete bank routing and account numbers in that email.

## WEB Proof of Authorization:

A copy of the web page wherein the proper disclosures (per the sample above) were provided and where the payment information (Payer Name, Bank Name, Amount, Routing and Account Numbers) are entered.

Additionally, a system generated electronic record of the transaction which contains the following minimum information in no particular order or format:

1. IP Address of the Payer
2. An indication as to whether the Payer was “Authenticated”.
	1. “Authenticated” means did the Payer need to log into an account with a user name and password or other identifying information such as an account number in order to make the payment or did they first need to create an account on the system prior to making the payment.
	2. Alternatively, was a solution utilized in order to attempt to verify the identity of the Payer?
3. Date and time stamp of the entry
4. Payer Name
5. Amount of the Payment
6. Payer’s Bank Name
7. Routing Number
8. Account Number
9. Purpose of the payment
10. The IP Address of the web page where the payment was entered

Although not required, it is recommended that you request and capture the address of the Payer as well as their phone number and email address. The more information that you capture in regard to the payment, the more apparent it is to an observer that the Payer did visit the payment page and did voluntarily enter the payment.

# ACCOUNT RECEIVABLE CONVERSION (ARC) AND Back office (BOC) CONVERSION

Account Receivable (ARC) and Back Office Conversion (BOC) Check Conversion is where a check received in the mail for payment of an invoice or outstanding debt or received form a payer in person wherein, upon receipt, the check is being converted from a paper item (Original Source Document) to an electronic item (ACH Debit).

In support of both ARC and BOC, the original paper check or “Source Document” is the authorization in itself and should be retained as such.

In order to initiate a complaint ARC and/or BOC entry, the MICR Line (Magnetic Ink Characters) **MUST** be read electronically by a reading device (MICR Reader) and not key entered unless to correct an inaccurate MICR read.

Additionally, in order for the paper check to qualify as the Source Document, the following notice must be presented either on the invoice or mailed document from which the payment is solicited or posted as a sign where the check is physically tendered:

“When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. For inquiries please contact us at (Phone Number) or email us at (Email Address).

# End of Guide

**Please be advised that the information and recommendations in regard to best practices offered herein are not to be construed as legal advice or guidance. ACH Processor does not warrant that this information is free from inaccuracies, omissions or inconsistencies or is always current. ACH Processor accepts no responsibility or liability in regard to the utilization of this information. It is recommended that you, as an entity accepting electronic payments, consult legal counsel as appropriate in regard to the development of your business policies and practices or the preparation of materials, information or disclosures which you may provide to customers or others in support of your payment acceptance process.**