



ACH Quick Guide

ACH Originators must obtain a current copy of the National Automated Clearing House Association (NACHA) Operating Rules and Guidelines (Rules) that is published annually. A copy of the Rules may be obtained at www.nachaoperatingrulesonline.org.

This guide summarizes ACH terminology, responsibilities, and 2026 NACHA requirements for all Originators. It complements, but does not replace, the NACHA Operating Rules.

ACH Basic Facts

- An ACH Originator is any entity or person that creates an ACH transaction.
- ACH entries are categorized as “consumer” or “business.”
- ACH is capable of crediting or debiting checking or savings accounts.
- ACH is a batch system (not real time).
- ACH entries are typically irrevocable once they have been sent for processing.

ACH Governing Rules and Agreements

You are required to abide by multiple rules and agreements including, but not limited to, the following when initiating ACH transactions.

- NACHA Operating Rules (www.nacha.org)
- Regulations E (for consumer entries)
- Uniform Commercial Code Article 4A (for corporate credits)
- State of New York ACH processing regulations
- Business Online Banking Agreement
- Unity Bank ACH Origination Service Agreement
- Authorizations from employees, customers, etc

Your Responsibilities as an Originator

- Obtain proper authorizations and retain consumer authorizations for two years past revocation.
- For debit transactions, ensure the following: Signed authorization that includes their routing number, account number, amount of debit and frequency of debit, as well as cancellation requirements.
- If requested by Unity Bank, provide a copy of the authorization. Unity Bank may request to see your authorizations from time to time as a part of an annual audit.
- Give appropriate notice to debtor if changing amount or date.
- Cease subsequent entries when notified.
- Make necessary changes to payee account information within six (6) banking days upon receipt of a Notice of Correction or before another entry is sent.
- Protect the banking information received to originate transactions.
- Validate account ownership and ensure the name on ACH entries reasonably matches the account holder.



Commonly Used ACH Standard Entry Class (SEC) Codes

Code / Type	Description
CCD – Corporate Credit or Debit	Transfer of funds between business accounts (Business account only).
PPD – Prearranged Payment and Deposit	Recurring entry for direct deposit of payroll, pension, or for direct payment of recurring bills such as utilities, loans, insurance, etc. (Consumer accounts only).

Direct Deposit Payroll Authorizations (Consumer)

- Use a direct deposit authorization form that collects employee account information. This form should allow the company to make credit and debit entries in the event a payroll adjustment is necessary.
- Obtain proof of account ownership from the employee.
- Company Entry Description field must contain the word “PAYROLL” when the transaction includes credits for payment of wages, salaries or similar types of compensation.

Consumer Debit Authorizations

- For consumers, an authorization to debit an account must be in writing or “similarly authenticated.”
- Company Entry Description field must contain the word “PURCHASE” for all e-commerce debit entries involving the online purchase of goods, including recurring transactions that were originally authorized online.
- The most common SEC code for consumer debits is PPD.

Business Authorizations

- For companies, there must be an agreement between the two parties. While the NACHA Rules do not define an “agreement,” Unity Bank recommends you have the company complete an authorization form.

Changing Date or Amounts of Debits

ACH Rules require you to notify your debtors of any changes in date or amount debited under the following circumstances:

- Seven (7) calendar days’ notice for a change of date (consumer and business).
- Ten (10) calendar days’ notice for a change in amount (consumer only).

Prenotifications (Prenotes)

- Prenotes are zero-dollar entries that precede the first live entry. The purpose of a prenote is to verify account information.
- Prenotes can be used to validate new payees. However, if sent, prenote rules must be followed and a prenote must precede the first live entry by at least six (6) banking days.
- The Receiving Bank is not required to validate the name of the payee on the prenote, although many do; they are only required to check the account number.
- If the prenote is returned, the same account information cannot be used to send subsequent entries.



Notice of Change

- When ACH information is incorrect, a Notification of Change (NOC) is sent by the Receiving Bank requesting that future entries contain correct information. ACH Rules require you to make the change within six (6) banking days of receiving the information from Unity Bank or before next entry is sent.
- The Receiving Bank warrants that the information they provide to you is correct.

Notification of Change Codes

Change Code	Used By RDFI – Description of Error	Action Required by Originator
C01	Account Number — The account number is incorrect or formatted incorrectly.	Change the Receiver's account number record so the correct information is entered.
C02	Routing Number — A once-valid routing number must be changed.	Change the Receiver's financial institution routing number so the correct information is entered.
C03	Routing Number and Account Number — Both the routing number and account number are incorrect.	Change the Receiver's financial institution routing number and account number so the correct information is entered.
C05	Transaction Code — An incorrect transaction code is causing the entry to be routed to the wrong type of account.	Change the type of account. The account type is indicated by a two-digit transaction code.
C06	Account Number and Transaction Code — The account number is incorrect and the transaction is being routed to the wrong type of account.	Change the Receiver's account number and type of account so the correct information is entered.
C07	Routing Number, Account Number, and Transaction Code — All routing number, account number, and account type fields are incorrect.	Change the Receiver's financial institution routing number, account number, and type of account so the correct information is entered.

Returns

An ACH return is an ACH entry that is unable to post for reasons defined by the return codes listed in the table below. ACH returns may be used for ACH entries as well as prenotifications (non-monetary entries). Returns related to fraud or improper authorization may not be reinitiated.

Return Code	Reason / Description	Action by Originator	Return Deadline
R01	Insufficient Funds – Available balance is not sufficient to cover the debit entry.	May initiate a new ACH entry within 180 days of original settlement date.	24 Hours
R02	Account Closed – Account previously open is now closed.	Stop initiating entries; obtain new authorization from Receiver for another account.	24 Hours



R03	No Account / Unable to Locate – Account number does not correspond to the named individual or a valid account.	Stop initiating entries; contact Receiver for correct account information.	24 Hours
R04	Invalid Account Number – Account number fails check-digit validation or contains incorrect digits.	Stop initiating entries until account number/structure is corrected.	24 Hours
R05	Unauthorized Debit to Consumer Account Using Corporate SEC Code – A corporate debit was sent to a consumer account without authorization.	Stop initiating entries. Requires Written Statement of Unauthorized Debit within 60 days.	60 Days
R06	Returned per ODFI Request – ODFI requests that RDFI return the entry.	Must accept requested return.	Not Applicable
R07	Authorization Revoked – Client previously authorized but has revoked authorization with the Originator.	Stop initiating entries until new authorization is obtained. Requires a Written Statement of Unauthorized Debit within 60 days.	60 Days
R08	Payment Stopped – Receiver previously placed a stop payment on the entry.	Contact Receiver to determine reason and obtain authorization before reinitiating.	24 Hours
R09	Uncollected Funds – Sufficient available balance but insufficient collected balance.	May initiate a new entry within 180 days of original settlement date.	24 Hours
R10	Client advises entry was not authorized, notice not provided, improper source document, or amount incorrect.	Stop originating entries. Requires a Written Statement of Unauthorized Debit within 60 days.	60 Days
R11	Entry not in accordance with authorization terms – Authorization exists, but debit does not match agreed terms.	Stop originating entries. Requires a Written Statement of Unauthorized Debit within 60 days.	60 Days
R12	Account Sold to Another DFI – Account has been transferred to a different institution.	Stop initiating entries; obtain correct routing information.	24 Hours
R14	Representative Payee Deceased – Representative payee is deceased but beneficiary is not.	Stop originating entries.	24 Hours
R15	Beneficiary or Account Holder Deceased.	Stop originating entries.	24 Hours
R16	Account Frozen – Access restricted due to RDFI or legal action.	Stop originating entries.	24 Hours
R17	File Edit Error – RDFI cannot process due to incorrect field data.	Identify and correct errors before further entries.	24 Hours
R20	Non-Transaction Account – The account cannot accept ACH transactions (e.g., Regulation D restrictions).	Stop originating entries.	24 Hours
R23	Credit Entry Refused by Receiver.	Obtain Receiver authorization prior to reinitiating.	24 Hours
R24	Duplicate Entry – RDFI received a duplicate transaction.	Accept return; if already reversed, contact RDFI to resolve.	24 Hours
R29	Corporate Entry Unauthorized – Business account holder reports the entry unauthorized.	Stop initiating entries until proper authorization is obtained.	24 Hours



Reversals

If a reversing entry must be made, please e-mail the ACH Operations at ACHOps@unitybank.com.

Reversals may only be made for the following three conditions:

- Wrong dollar amount
- Wrong account number
- Duplicate transaction

When initiating a reversal, the reversing entry must be for the full amount, within five (5) banking days of original entry and must be sent within 24 hours of discovering the error.

The Receiving Bank is under no obligation to post the reversing debit if it overdraws the payee's account or if the payee's account is closed.

A payee must be notified if a reversing entry debits his or her account. However, a payee does not need to authorize the reversing debit.

ACH Fraud Risks

Operational Risk is the risk of loss resulting from inadequate or failed internal process, people and systems, or external events. Operational risk can arise from a technology failure, human or technical errors in financial models and reporting, or other internal control system deficiencies. This type of fraud may arise from fraud perpetrated by employees or external sources.

Recommendations:

- Not using temporary employees for ACH functions
- Thorough screening of potential full-time employees
- Segregation of duties
- Changing or rotating work assignments
- Personal security/controlled access to department
- Internal audits of controls

Fraud Threats may be perpetuated through cyber-attacks, email compromise, account takeover, social engineering and even vendor impersonation fraud.

You are required to constituting a commercially reasonable security procedure that ensures sensitive information related to ACH transactions are secure from unauthorized access.

- Do not open any suspicious emails or emails from unknown parties.
- If you do open an email, avoid any links, attachments, photos or graphics that you cannot verify.
- Verify all change requests. If a vendor or payee requests a change in account information via email or fax, call the phone number listed on your system (not the number on the form received) and verbally verify the information with the requestor.
- Educate employees on the risks of fraud threats.
- Keep virus protection and operating systems up-to-date.



Monitoring:

- Originators must monitor for unusual patterns, anomalies, and high-risk activity
- Monitoring must include detecting entries under false pretenses (business email compromise (BEC), vendor impersonation, payroll diversion)
- Annual documented review of fraud controls

Transaction Codes

Transaction codes are used internally within financial institutions and their processing partners. These transaction codes will be within your accounting software (if used) to map transactions and are used in notification of change communication.

Transaction Type	Return/NOC	Origination Entry	Pre-note
Checking Account Credit	21	22	23
Checking Account Debit	26	27	28
Savings Account Credit	31	32	33
Savings Account Debit	36	37	38