

Effective September 15, 2017 New Rule Allows for Faster Payment Processing

Same Day ACH Debits: What Customers Need to Know

Same Day ACH is a new rule adopted by The National Automated Clearing House Association which is the rulemaking body for the ACH network. ACH is an electronic network for financial transactions that include credit and debit transactions. ACH credit transfers include direct deposit, payroll and vendor payments. ACH direct debit transfers include consumer payments on insurance premiums, mortgage loans, and other types of debits that post to your account. Effective September 15, 2017, direct debit transfers can be originated by your biller, merchant or company and received by the account holder on the same day. ACH is usually a one to two-day process which means your employer may send an ACH credit to your account on Day 1 and this will not hit your account until Day 3. Sending an ACH debit means your biller sends a debit to post to your account on Day 1 and this will not post to your account until Day 2. Same Day ACH speeds things up allowing both credits and debits to be transmitted and received on the same day.

So what does this mean for our customers?

If it is a credit, the good news is that you could receive it the same day it is transmitted. If it is a debit, you should receive it on the date intended based on the authorization agreed upon between you and your biller/merchant when providing account information in-person, over the phone or online.

ACH Receivers

If you receive ACH debit transactions in your account, here are facts you need to know to prepare for upcoming changes to accommodate same-day ACH:

- Beginning September 15, 2017, domestic ACH debits (up to \$25,000) may post the same day as submitted.
- As a best practice, companies receiving ACH debits should account for anticipated transactions to ensure sufficient funding.

Tips for When ACH Debits Post to Your Account Earlier than Expected

We want to make sure you are educated about this new network offering. Below are a few tips if you receive a debit prior to the date provided in the authorization detail:

- If you identify a debit on your account that is posted earlier than what was intended by the authorization obtained, first contact the merchant or entity debiting your account as this could be the result of the Same Day Debit rollout;
- Discuss the effective date of the payment and determine if the debiting date on your account matches the authorization;
- If you cannot resolve this with the entity that posted the debit to your account, you have consumer rights which is provided in your terms and conditions agreement with the Bank;
- Check your account daily to ensure you do not have any debits to your account that were not authorized as intended.
- Contact the Bank if you need to initiate an unauthorized ACH claim.

Originating and Receiving Payments Electronically

It's an exciting time in the payments industry with several innovative initiatives underway designed to move payments faster. One of these initiatives is NACHA's "Same-Day ACH Rule" which builds upon existing ACH Network next-day settlement capabilities and establishes a new same-day settlement capability giving businesses an option to send and receive payments faster.

Phased Implementation Approach

Implementation of the "Same-Day ACH Rule" is spread out over three phases that began in September 2016. This phased approach provides an 18-month period over which businesses and financial institutions can manage their implementation efforts. This allows the industry to gradually acclimate to a faster processing environment.

- The first phase was implemented on September 23, 2016, and provided for same-day settlement of domestic ACH credit entries of \$25,000 or less with funds being available by end of the Receiving Depository Financial Institution's (RDFI's or Receiving Bank's) processing day.
- The second phase of implementation will occur on September 15, 2017, and will enable same-day settlement of domestic ACH debit entries of \$25,000 or less. Same-day credit funds availability will remain at the end of the Receiving Bank's processing day.
- Finally, in the third phase, effective March 16, 2018, Receiving Banks will be required to provide funds availability for same-day credits no later than 5:00 p.m. local time.

Federal Government

The federal government didn't participate in phase one of the same-day ACH credit implementation. Therefore, any entry originated from, or received by, the federal government today, isn't eligible for same-day settlement and is being settled on a future date. For example, federal tax payments don't currently qualify for same-day ACH settlement.

Important Update: The federal government has operationally committed to participating in same-day ACH as of September 15, 2017, beginning with the capability to receive tax and non-tax same-day ACH credits.

We're Here to Help

We'll continue to share more information as September approaches to help you prepare for the next phase of same-day ACH. Please contact our Electronic Banking Department at 781-329-6700 if you have any questions.