

## UNAUTHORIZED ENTRY FEE FAQ FOR ORIGINATORS

### Q: WHAT IS AN UNAUTHORIZED ENTRY FEE?

- An Unauthorized Entry Fee is a fee paid by an ODFI (Originating Depository Financial Institution) to the RDFI (Receiving Depository Financial Institution) for certain returns of ACH debit transactions due to a problem with the Receiver's authorization.
- The *Rule* requires an ODFI to pay a fee of \$4.50 to an RDFI for any ACH debit returned due to a reason of unauthorized. An ODFI may decide to pass this fee along to the Originator. This fee may be included in other fees assessed by your financial institution. Contact your financial institution for exact fee(s).

### Q: WHICH RETURN REASON CODES ARE COVERED BY THE UNAUTHORIZED ENTRY FEE?

- The Unauthorized Entry Fee applies to Return Reason Codes:
- R05 (Unauthorized debit to consumer account using a corporate SEC (Standard Entry Class) code)
- R07 (Authorization revoked by customer)
- R10 (Customer advised that transaction was unauthorized, improper, ineligible or part of an incomplete transaction)
- R29 (Corporate customer advised transaction was unauthorized)
- R51 (Item related to an RCK (Re-presented Check) entry is ineligible or entry is improper)

### Q: ARE ANY STANDARD ENTRY CLASS CODES NOT SUBJECT TO THE UNAUTHORIZED ENTRY FEE?

- Yes. International ACH Transactions (IAT) initially will not be covered by the fee, but could be included in the future.

### Q: WHO WILL SET THE AMOUNT OF THE FEE?

- The amount of the Unauthorized Entry Fee will be determined by NACHA (National ACH Association) staff according to an explicit methodology defined in the *Rule*.

### Q: WHAT IS THE METHODOLOGY FOR SETTING THE AMOUNT OF THE FEE?

- The *Rule* defines a methodology by which NACHA staff would set and review every three years the amount of the Unauthorized Entry Fee. In setting the amount of the fee, NACHA staff will apply the following principles:
  1. NACHA will conduct a representative survey of RDFIs of various types and sizes to determine the expense incurred in handling and returning unauthorized Entries.
  2. The amount of the Unauthorized Entry Fee would be set at a level that is less than the weighted average cost determined by such a survey.
  3. The Unauthorized Entry Fee would be set at a level that NACHA staff reasonably believes will provide an incentive for Participating DFIs to improve the quality of ACH processing without unduly discouraging participation in the ACH Network; and
  4. In re-evaluating the amount of the Unauthorized Entry Fee, NACHA staff would consider the extent to which the existing fee amount has had an effect on return rates.

### Q: WHAT IS THE AMOUNT OF THE UNAUTHORIZED ENTRY FEE?

- The amount of the Unauthorized Entry Fee will be \$4.50 per return and an ODFI may decide to pass this fee along to the Originator. This fee may be included in other fees assessed by your financial institution. Contact your financial institution for exact fee(s).

### Q: WHEN WILL THE FEES BECOME EFFECTIVE?

- This *Rule* will become effective beginning with applicable return entries that have a Settlement Date of October 3, 2016. Originators should note that return entries as of October 3, 2016 could relate to forward entries initiated as early as August 3, 2016. Consult your financial institution to determine when fee(s) will be effective.

### Q: WHERE IN THE NACHA OPERATING RULES & GUIDELINES IS THIS NEW RULE ADDRESSED?

- The *Rule* added a new Section 1.11 to establish "Unauthorized Entry Fees". Subsection 1.11.1 establishes the obligation of the ODFI to pay the fees to the respective RDFIs. Subsection 1.11.2 establishes the authority of the NACHA staff, and the methodology used, to determine the specific amounts of the Quality Fees. The Quality Fees will further be defined in Article Eight (Definitions).

**Q. WHY WAS THIS NEW *RULE* ESTABLISHED?**

- This *Rule* is intended to improve ACH Network quality by reducing the incidence of ACH debits that are returned as unauthorized.

**Q: AS AN ORIGINATOR, CAN I DISPUTE THE ASSESSMENT OF A FEE?**

- No. The assessment of a fee is based solely on the return of a debit using one of the applicable Return Reason Codes.

**Q. IF AN ORIGINATOR CAN SHOW PROOF OF AUTHORIZATION TO THE ODFI/RDFI, DOES THE *RULE* PROVIDE A REFUND OF ANY FEE TO THE ORIGINATOR?**

- No, if an Originator can produce a valid authorization, this will become a matter between the Originator and the Receiver.

**Q: AS AN ORIGINATOR, IF AN ODFI ASSESSES ME A FEE, MAY I PASS THAT FEE ALONG TO MY CUSTOMER?**

- Passing the fee along to your customer will be at each individual Originator's discretion.

**Q: WHO WILL RECEIVE THE UNAUTHORIZED ENTRY FEE?**

- The RDFI of the original debit will receive the Unauthorized Entry Fee. NACHA will not receive any portion of the fee.

**Q. MAY AN ODFI PASS THE UNAUTHORIZED ENTRY FEE TO THE ORIGINATOR?**

- Yes, they may do that but it is not a requirement of the *Rules*.

**Q: WILL THE AMOUNT OF THE UNAUTHORIZED ENTRY FEE CHANGE OVER TIME?**

- The \$4.50 amount of the Unauthorized Entry Fee will stay the same for the first three years, and then could change. The \$4.50 amount of the fee will be reviewed every three years. It is the responsibility of the ODFI to notify Originators of any change in fees.

**Q. IS IT A REQUIREMENT OF THE *RULES* FOR ODFIS TO UPDATE ODFI/ORIGINATOR AGREEMENTS IF THEY WILL BE PASSING THE FEE ALONG TO THE ORIGINATOR?**

- There is no specific *Rule* that specifies this must be done, however; as a best practice listing fees of any type should be included (and updated appropriately) within ODFI/Originator agreements.

**Q. IF AN ODFI WILL PASS THE UNAUTHORIZED ENTRY FEE TO THE ORIGINATOR, WHEN WILL THE FEES BE ASSESSED (DAILY, WEEKLY, MONTHLY)?**

- If an ODFI has made the decision to pass the fee along to their Originators, it is their responsibility to notify Originators of the frequency of the assessed fees.

**Q. HOW WILL AN ORIGINATOR RECOGNIZE THESE FEES ON A STATEMENT?**

- ODFI should explain to the Originator how fees will be identified on statements.

**Q. WHAT MAY AN ODFI ASK AN ORIGINATOR FOR IN PREPARATION OF THIS *RULE*?**

- In preparation of this *Rule*, an ODFI may start requesting copies of authorizations to ensure Originators are properly obtaining this documentation.



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