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## Direct Debit - NACHA Requirements

### All Transaction Types

NACHA requires that all merchants maintain an unauthorized return rate of less than 0.5%. If a merchant exceeds an unauthorized return rate of 0.5%, NACHA may impose non-compliance fines.

### Transactions initiated via the Internet- (WEB) Entries

- Authorization language must be clear and conspicuously disclosed to the Consumer.
- Offer terms and conditions should be clearly and conspicuously disclosed to the consumer.
- Clearly disclose that the authorization is for an ACH debit.
- Provide the consumer with a method to revoke the authorization and/or cancel the service/product.
- Encourage the consumer to print the authorization or provide the consumer with a copy of the authorization via email.
- Employ commercially reasonable fraudulent detection system to screen each entry. (Can be based on negative databases, consumer's profile, buying patterns, average purchase amount, etc.)
- Use commercially reasonable procedures to verify that routing numbers are valid.
- Merchant must employ a commercial security technology that provides a level of security that is a minimum or equivalent to 128-bit encryption prior to the transmission of the consumer's banking information, including, but not limited to, the routing, account number, and personal identification number (PIN) or other identification symbols.
- Merchant should conduct annual audits to ensure that the financial information it obtains from consumers is protected by security practices and procedures that include, at a minimum, adequate levels of (1) physical security to protect against theft, tampering, or damage, (2) personnel and access controls to protect against unauthorized access and use, and (3) network security to ensure secure capture, storage, and distribution.

## Transactions initiated via Telephone- (TEL) Entries

- TEL entries can be single entry transactions or recurring transactions.
- TEL entries are related to inbound calls initiated by the consumer to the merchant.
- Verify the identity of the consumer.
- Employ procedures for recording the authorizations.
- Provide each consumer with an electronic or hard copy of the authorization for all debit(s).
- Use commercially reasonable procedures to verify that routing numbers are valid.
- Consumer's authorization must be readily identifiable as an authorization and must clearly state its terms. The following minimum information must be included as part of the authorization for both Single Entry TEL or Recurring TEL transactions unless specified below:
  - Account to be debited
  - Date on or after which the ACH Debit to the consumer's account will occur (Single TEL entry)
  - The timing (including start date), number, and/or frequency of debits, or other similar reference, to the consumer's account. (Recurring TEL entry)
  - Amount of the transaction or reference to the method of determining the amounts of the recurring transactions.
  - Consumer's name
  - Telephone number for consumer inquiries that is answered during normal business hours
  - Date of the consumer's oral authorization
- For Recurring TEL entry authorizations, the merchant must comply with the requirements of Regulation E for the authorization of preauthorized transfers, including the requirement to send a copy of the authorization to the consumer.
- Authorization must (1) be recorded, or (2) be provided to the consumer via written notice confirming the oral authorization prior to the settlement date of the entry.
- The merchant must retain the original or a microfilm or microfilm-equivalent copy of the written notice or the original or a duplicate tape recording of the oral authorization for two years from the date of the authorization of a Single Entry TEL Entry or from the termination or revocation of the authorization for recurring TEL Entries so that it is available to supply to the issuing bank or NACHA if applicable.

**FIGURE 1** Sample ACH Debit Authorization Form

**AUTHORIZATION AGREEMENT**  
**DIRECT PAYMENTS (ACH DEBITS)**

I (we) hereby authorize \_\_\_\_\_, hereinafter called COMPANY, to debit entries to my (our) account indicated below and the Financial Institution named below, hereinafter called FINANCIAL INSTITUTION, to debit same to such account. I (we) acknowledge the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

\_\_\_\_\_  
(Financial Institution Name) (Branch)

\_\_\_\_\_  
(Address) (City-State) (Zip)

\_\_\_\_\_  
(Routing/Transit Number) (Account Number)

Type of Acct: \_\_\_ Checking \_\_\_ Savings

Recurring Set Amount \_\_\_\_\_ Range: Minimum \_\_\_\_\_ Maximum \_\_\_\_\_

This authority is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and manner as to afford COMPANY and FINANCIAL INSTITUTION a reasonable opportunity to act on it.

\_\_\_\_\_  
(Print Individual Name)

\_\_\_\_\_  
(Print Individual ID Number)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

**PLEASE ATTACH COPY OF VOIDED CHECK TO THIS FORM**  
**(Customer retains second copy)**