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2023 ACH ORIGINATOR QUICK REFERENCE

Overview:

This document overviews important information you should be aware of as an originator of ACH transactions

The following information is to help you stay current with the ACH Operating Rules and keep you informed of any changes in the National Automated Clearing House Association (NACHA) rules. Changes can also be found in the Revisions to the NACHA Operating Rules section of the rule book.

Changes will cover the period of January 1 to December 31 of that year.

Contents:

4191 2nd Street South | 4140 Thielman Lane, Suite 105 | St. Cloud, MN 56301
Phone: (320) 253-6607 | (800) 320-7262 | Fax: (320) 253-3051 | Member FDIC. Equal Housing Lender

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General Information

- ACH entries are categorized as "consumer" or "corporate"
- ACH is a batch system (not real-time)
- Once sent to the ACH Operator, entries are final
- ACH is capable of crediting or debiting checking or savings accounts
- Most banks and credit unions receive ACH entries
- An ACH Originator is any entity or person that creates an ACH transaction

Governing Rules and Agreements

As an ACH Originator, you are required to abide by multiple rules and agreements including, but not limited to, the following when submitting ACH files and transactions.

- NACHA Operating Rules (www.nacha.org)
- Regulation E (for consumer entries)
- UCC4A (for corporate credits)
- Stearns Bank Deposit Account Agreement
- Stearns Bank ACH Agreement
- Bank/Corporate Agreements
- Customer Authorizations

ACH Originator Responsibilities

The ACH Originator must agree to:

- Be bound by the NACHA Operating Rules
- Not originate entries that violate the laws of the United States
- Protect the banking information received
- Send entries on the proper date, according to your critical timing calendar
- Make necessary changes to payee account information within six banking days when notified by Stearns Bank
- Cease subsequent entries when appropriate
- Ensure your computer and you are protected as outlined in your original agreement

In addition, all payees must be verified against lists issued by the Office of Foreign Asset Control (OFAC).

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Fraud Prevention

ACH Fraud

Any unauthorized transfer from a bank account using the Automated Clearing House network. The ACH is a financial transaction network and central clearing facility for all electronic fund transfer (EFT) transactions that occur in the U.S.

New digital payment methods such as Venmo, Paypal, Zelle and others leverage ACH to complete payments between individuals and businesses.

Common Ways ACH Fraud is Committed

Fraudsters may commit imposter scams that trick individuals or businesses into making ACH transactions or providing sensitive information such as user credentials.

They can use a legitimate customer or vendor's credentials to submit unauthorized ACH transactions in the account holder's name and take out funds via ACH debit.

Phishing

The fraudulent practice of sending emails or other messages purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords and credit card numbers.

Vishing

The fraudulent practice of making phone calls or leaving voice messages purporting to be from reputable companies in order to induce individuals to reveal personal information, such as bank details and credit card numbers.

ACH Fraud on Business Accounts

While a consumer account holder has up to 60 days to report ACH fraud to their bank, a business/corporate account has just 24 hours. This is due to the differing governing protection regulations.

Businesses are protected under the Uniform Commercial Code (UCC) which states that after 24 hours, the business is liable for the transaction. Therefore, businesses need to reconcile accounts promptly and review online activity regularly to catch any fraudulent activity as early as possible.

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Fraud Prevention

Best Practices

- Do not click any links or follow any instructions from an email you were not expecting
- Do not use any correspondence information provided in an email. To verify, do your research and call to confirm only from verified information.
- Always call to verify any request to change payment information
- Pay attention to details! Fraudsters will attempt to recreate email addresses and URLs to trick individuals into believing the correspondence and links within it are from trusted sources.
- Read email addresses carefully to ensure there are no slight typographical differences or changes
- Hover over all links before clicking – the verbiage in the link can be altered to be different from the actual URL location that the link will take you
- Links can also contain malware; simply clicking the link will begin the download so be sure you have vetted the email and its source before clicking any links
- Never provide your user ID or password to someone
    - No trustworthy entity will contact you and ask you to disclose sensitive information
    - If you provide your login credentials to someone, even if you feel it is someone you can trust, you are authorizing them to transact on your behalf and you become liable for their activity
- Be wary of "good actors." Fraudsters are very practiced at manipulating people; they will often use means of intimidation or attempt to create a sense of urgency. There is ALWAYS enough time for safety.
- Protect yourself against bad customers and partners. Before doing business with anyone, complete your due diligence; check the BBB, do some searches online for any references of scams or complaints tied to the company, read reviews, etc.
- Fraudsters are always watching – be wary of posting too much information on social media

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Updates – 2023

Micro-Entries, Phase 2
Effective 03/17/2023

Originators that do not already have in place commercially reasonable fraud detection for their Micro-Entry origination will have to begin monitoring their forward and return volumes.

They may also consider practicing other velocity checks or anomaly detection.

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Additional Information

NACHA Operating Rules are available at www.nacha.org.

The Better Business Bureau offers training specifically for small businesses on how to simplify the requirements of ACH data security. Visit www.bbb.org/data-security to get further information.

For additional information contact StearnsConnect Electronic Banking Team:

Phone: (888) 629-8707

Email: StearnsConnect@stearnsbank.com.

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