

# 2 ACH Payment Processing

## Overview

This chapter provides information about how federal government ACH payments are processed. It also contains valuable information on payment dates and information to assist in identifying Treasury disbursed payments.

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## A: Financial Organization Master File (FOMF)

The Financial Organization Master File (FOMF) is a Department of the Treasury master list of financial institutions receiving federal government ACH payments. It contains RTNs, a single financial institution name and mailing address for each RTN.

The FOMF is derived from the Federal Reserve Bank's (FRB) ACH Customer Directory (ACD), which contains the RTNs and related information of all valid ACH participants. The FOMF is updated on a monthly basis using information from the most current ACD file.

### Purpose

The Fiscal Service relies on the FOMF data to validate RTNs used to originate payments and to send financial institutions the following:

- reclamation notices,
- trace inquiries, and
- marketing materials.

## Financial Institution Responsibility

### *Changes to Financial Institution Name and Mailing Address*

Financial institutions are responsible for keeping their name and mailing address for each RTN up to date with the FRB. Any changes to RTN data should be provided to the FRB as soon as possible so that the ACD and FOMF contain current data. If the financial institution fails to notify the FRB, it may be held liable for information (e.g., reclamation notices) mailed to obsolete addresses.

### *Changes to Routing Transit Numbers*

If a financial institution changes RTNs (e.g., due to merger), it must notify the FRB ACH department as soon as possible to have the old RTN rescinded in ACD and have all future ACH transactions reflect the financial institution's active ACH routing number. Updates to the ACD will update the FOMF. Additionally, financial institutions should send a Notification of Change (NOC) to each originating federal agency from which it receives payments impacted by the routing number changes.

The following steps should be taken in updating the ACD routing number data:

- Confirm that no activity is being received on the obsolete RTN prior to deletion.
- Allow at least three months after the update to the ACD before deleting an obsolete RTN.
- Delete an obsolete RTN only after all activity has been transferred to the surviving RTN.

### *Updating ACH Customer Directory (ACD):*

If an institution wants to update the information that appears on the file, they should submit a new "Part 1 - Agreement to Terms and General Participant Information" of the [FedACH Participation Agreement](#) to the FRB.

If you have any questions in reference to updating data, you should contact the [FedACH and Check Services Customer Support](#) team.

### *New Depository Institutions*

Because the FOMF is updated on a monthly basis, a new depository institution may not receive government ACH transactions for up to 30 days after being entered into the FRB ACD.

## **B: Federal Government ACH Processing**

### **General Flow**

Federal government ACH payments are initiated by the authorizing federal agency to a government disbursing office. These include the Department of Defense disbursing offices, and Fiscal Service. The FRB is the federal government's ACH Operator.

### **Prenotification**

The federal government prenotification process is handled in accordance with Nacha Operating Rules & Guidelines. Social Security Administration originates prenotifications for Social Security benefits for Direct Deposit enrollments and changes.

### **Payment Formats**

Federal government ACH payments are originated in the Prearranged Payment and Deposit (PPD) with or without addenda, Corporate Debit or Credit (CCD) with or without addenda, or Corporate Trade Exchange (CTX) formats. Refer to the Nacha Operating Rules & Guidelines for details on payment record formats.

### **Account Requirements**

All federal government benefit payment enrollments must be established for a deposit account at the financial institution that is in the name of the recipient or beneficiary with the following exceptions:

- Where an authorized payment agent (representative payee) has been selected, a representative payee is an individual or organization appointed by SSA to receive Social Security and/or SSI benefits for someone who cannot manage or direct someone else to manage his or her money. The main responsibilities of a payee are to use the benefits to pay for the current and foreseeable needs of the beneficiary and properly save any benefits not needed to meet current needs. A payee must also keep records of expenses.
- Where the payment is to be deposited into an investment account established through a securities broker or dealer registered with the Securities and Exchange Commission, or an investment account established through an investment company registered under the Investment Company Act of 1940 or its transfer agent, the payment may be deposited into an account designated by the broker or dealer, investment company, or transfer agent.
- Where a federal payment is disbursed to a resident of a nursing facility, as defined in 42 U.S.C. 1396r, the payment may be deposited into a resident trust or patient fund account established by the nursing facility so long as it meets the requirements under federal law relating to the

protection of such funds. For more information on these requirements, please visit the [ACH regulations](#) website.

- Where a federal payment is disbursed to a member of a religious order who has taken a vow of poverty, the payment may be deposited to an account established by the religious order. The phrase ‘member of a religious order who has taken a vow of poverty’ is defined as it would be by the Internal Revenue Service for federal tax purposes.
- Where a federal payment is to be deposited to an account accessed by the recipient through a prepaid card that meets the following requirements:
  - (A) The account is held at an insured financial institution,
  - (B) The account is set up to meet the requirements for pass-through deposit or share insurance such that the funds accessible through the card are insured for the benefit of the recipient by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund in accordance with applicable law (12 CFR part 330 or 12 CFR part 745),
  - (C) The account is not attached to a line of credit or loan agreement under which repayment from the account is triggered upon delivery of the federal payments, and
  - (D) The issuer of the card complies with all of the requirements and provides the holder of the card with all of the consumer protections, that apply to a payroll card account under the rules implementing the Electronic Fund Transfer Act, as amended.

No person or entity may issue a prepaid card that receives federal payments in violation of these requirements, and no financial institution may maintain an account for or on behalf of an issuer of a prepaid card that receives federal payments if the issuer violates these requirements. If Fiscal Service becomes aware that a prepaid card product that accepts federal government payments does not meet these requirements, it will research the card product and report any violations of these requirements to the institution’s primary regulator.

- Where Treasury has granted a waiver.

## Misdirected Payments

On occasion, a federal ACH payment is misdirected to the incorrect account. If the payee’s account number is different from what is contained in the ACH entry, but the financial institution can identify the correct receiver, the financial institution may post the payment to the correct account as long as there is no change in the title of the account or in the interest of the recipient or beneficiary in the account. The financial institution does this at its own risk and may be liable to the issuing agency if the financial institution is incorrect and there is a resulting loss by the agency. If the financial institution does post the payment to an account other than that identified in the transaction, then an appropriate NOC with the correct account number should be sent to the agency. Please see Chapter 6, Notification of Change, for more information. If the financial institution cannot credit the misdirected payment to the correct account, the financial institution may return the payment to the agency with an appropriate reason code. Please see Chapter 4, Returns, for more information.

It is important to note that a financial institution is not required to manually verify that the name on the ACH entry matches the name on the account at the time the payment is posted. An RDFI is only liable for posting the payment to the account in the ACH credit entry.

## Notice of Misdirected Payment

In accordance with 31 CFR part 210, an RDFI that becomes aware that an agency has misdirected an ACH credit entry to the wrong account must promptly notify the agency. A financial institution may become aware of a misdirected payment through the following ways:

- The account holder notifies the financial institution of the misdirected payment,
- A non-receipt claim being investigated by Fiscal Service,
- A financial institution that manually posts their ACH credits notices that a payment is being credited to the wrong account. (It is important to note that an institution is not required to match names when posting a federal government ACH entry; however, if it routinely posts entries manually and notices that an entry is being directed to the wrong account, it is required to notify the agency.), and
- A call from the federal agency that disbursed the payment.

If a financial institution becomes aware of a misdirected payment, it can notify the agency in the following ways and meet the requirements of 31 CFR part 210:

- The RDFI decides to manually post the misdirected payment to the correct account and originates an NOC entry with the correct account and/or RTN information. Please note that the financial institution does this at its own risk and may be liable to the issuing agency if the financial institution is incorrect and there is a resulting loss by the agency,
- Return the original ACH credit entry to the agency with the appropriate return reason code,
- Contact the agency by phone or by letter. Please see Chapter 7, Contacts, and
- Any other means deemed acceptable by the agency that disbursed the ACH credit payment.

## Availability of Funds

In accordance with Nacha Operating Rules & Guidelines, any non-Same Day ACH credit payment must be made available for withdrawal by the Receiver no later than 9:00 a.m., Receiving Depository Financial Institution (RDFI) local time, on the settlement date (provided the entries are made available to the RDFI by its ACH operator no later than 5:00 p.m. on the business day prior to the settlement date).

In September 2017, the Fiscal Service accepted the Nacha rule changes that allow for Same Day ACH transactions, and on March 19, 2020, Fiscal Service amended 31 CFR Part 210, to address changes that Nacha has made to the Nacha operating rules since the publication of the 2016 Nacha Operating Rules & Guidelines book. These changes include amendments set forth in the 2017, 2018, and 2019 Nacha Operating Rules & Guidelines books, including supplements thereto.

Same Day ACH rules establish two windows for all financial institutions to submit Same Day ACH payments: 10:30 a.m. and 2:30 p.m. ET. Fiscal Service only uses the second window for same day ACH transactions. Funds from Same Day ACH credits processed in the second processing window will be made available by 5:00 p.m. RDFI's local time. Effective March 19, 2021, Same Day ACH rules will establish a third Same Day ACH window of 4:45 p.m. ET, which Fiscal Service will use. Funds from Same Day ACH credits processed in this third window will settle at 6:00 p.m. ET. The amount of a third window Same Day ACH credit must be available to the receiver's account no later than the end of the RDFI's processing day (RDFI's local time). Such funds are not required to be available for

withdrawal on the settlement date. There is a \$100,000 per payment limit for Same Day ACH that applies to all Fiscal Service payment customers.

Non-Treasury Disbursed Organizations, who do not submit their payments through the Fiscal Service, are currently prohibited from authorizing any Same Day ACH credits for payments. Only agencies that disburse through the Fiscal Service will be permitted to request Same Day ACH payments. Fiscal Service began to process Same Day ACH credits (for payments) in April 2018. The Fiscal Service began to accept Same Day ACH credits and debits for tax collections beginning in September 2017.

## C: Federal ACH Payment Schedule

Fiscal Service publishes the federal [ACH Payment Schedule](#) annually on the Fiscal Service website. This listing provides the actual payment date for recurring federal payments. The payment date equals the ACH settlement date.

## D: Identifying Treasury Disbursed Payments

### Consumer Payments

#### *Consumer Payment Formats*

Consumer payments are designated for deposit into an individual's account. They are identified by the Standard Entry Class (SEC) code to be used for consumer entries which is found in the Company/Batch Header Record (Field 6) of the payment file data.

#### *Standard Entry Class Code*

The Prearranged Payment and Deposit (PPD) is the SEC code used for identifying federal agency consumer payments. The payment entries may be accompanied by a PPD addenda record (PPD+) which further identifies the reason for the payment.

#### *Social Security Administration Use of Prearranged Payment and Deposit (PPD+)*

##### *For Direct Deposit of Representative Fee Payments and Direct Deposit of Representative Payees/Organizational Representative Payees*

The Social Security Administration (SSA) issues fee payments either by check or direct deposit to individuals who have represented Social Security claimants and/or act as a representative payee. SSA has begun to use the PPD+ format for ACH payments to representatives that include adequate payment-related information that can be passed onto them to identify and credit the payment to the correct person/account. The information is included in Field 3 of the Addenda Record (Payment Related Information) and is based on ANSI X12 (American National Standards Institute coding for Electronic Data Interchange) syntax.

Fiscal Service encourages RDFIs to pass through to their account holders, as quickly as possible, pertinent information from both the Entry Detail Record and the Addenda Record when a payment is received. The representative needs this addenda information to reconcile their client account records. The method of providing this information to the account holder is at the discretion of the

financial institution and its customer.

### Payment Types

Types of payments that utilize the PPD standard entry class category include the following:

- benefit,
- annuity,
- travel,
- salary,
- allotment,
- IRS tax refund, and
- public debt payments.

## Identifying the Paying Agency/Payment Type

Field 7 “Company Entry Description” (Company/Batch Header Record)

| Paying Agency/Payment Type                        | Field Contents                                 |
|---|--|
| <b><u>Fiscal Service/TreasuryDirect</u></b>       |  |
| Federal Housing Administration Debenture Payments | FHA/HUD_ _ _                                   |
| Marketable Securities (Bills, Notes, and Bonds)   | PAR_AMOUNT PAR_&INT_ INTEREST_ _ REFUND_ _ _ _ |
| Savings Bond Agent's Fee Payments                 | AGENT_FEES Series HHH                          |
| Savings Bond Interest Payments                    | H/HH_INTST State and Local                     |
| Government Series Security Payments               | SLG_PMT  |
| <b><u>Central Intelligence Agency</u></b>         |  |
| CIA Annuity                                       | CIARDSANNU                                     |
| <b><u>Department of Veterans Affairs</u></b>      |  |
| Compensation and Pension                          | VA_BENEFIT                                     |
| <b><u>Federal Pay</u></b>                         |  |
| Federal Salary                                    | FED_Salary                                     |
| Federal Travel Payments                           | FED_TRAVEL                                     |
| Marine Corps Salary                               | MCTF_PAY                                       |
| <b><u>Office of Personnel Management</u></b>      |  |
| Civil Service Retirement (Annuity)                | CIVIL_SERV                                     |
| <b><u>Railroad Retirement Board</u></b>           |  |
| Railroad Retirement/Annuity                       | RR_RET_ _ _ _                                  |
| Unemployment/Sickness                             | RR_UISI  |
| <b><u>Social Security Administration</u></b>      |  |
| Social Security                                   | SOC_SEC_ _ _                                   |
| Supplemental Security Income                      | SUPP_SEC_ _                                    |

## Identifying the Payee

Field 7 Contents (Entry Detail Record)

| IF the payment type is ...                      | THEN (the Individual Number ID field) contents identify the payee by... |
|---|---|
| <b><u>Fiscal Service/TreasuryDirect</u></b>     |   |
| Marketable Securities (Bills, Notes, and Bonds) | Account Number  |
| <b><u>Department of Veterans Affairs</u></b>    |   |
| VA Compensation and Pension                     | Claim Number; Payee Code  |

| IF the payment type is ...            | THEN (the Individual Number ID field) contents identify the payee by...   |
|---------------------------------------|---|
| <b>Federal Pay</b>                    |   |
| Federal Salary                        | Individual's SSN or Employee's ID Number and agency location code   |
| Federal Travel                        | Individual's SSN or Employee's ID Number and agency location code   |
| <b>Office of Personnel Management</b> |   |
| Civil Service Retirement (Annuity)    | CSA (Annuitant) or CSF (Fiduciary); Blank<br>Claim Number Prefix = A or F (most common)<br>Claim Number (7 digits #)<br>Claim Suffix = 0 or W (most common) |
| <b>Railroad Retirement Board</b>      |   |
| Railroad Retirement/Annuity           | Beneficiary Symbol; Beneficiary Prefix; Claim Number; Blank; Payee Code   |
| Railroad Unemployment/Sickness        | SSN   |
| <b>Social Security Administration</b> |   |
| Social Security                       | Claim Number  |
| Supplemental Security Income          | Claim Number  |
| <b>Department of Labor</b>            |   |
| Miners Benefit/Black Lung             | Type of Payment   |

## E: Identifying Non-Treasury Disbursed Payments

### Identifying the Paying Agency/Payment Type

Field 7 "Company Entry Description" (Company/Batch Header Record)

| Paying Agency/Payment Type | Field Contents |
|----------------------------|----------------|
| <b>Air Force</b>           |                |
| Active Duty                | AF_PAY_J_ _    |
| Active Duty Allotments     | AF_MP_ALLT     |
| Annuity                    | AF_RET_PAY     |
| Retirement                 | AF_RET_PAY     |
| Retirement Pay Allotments  | AF_RP_ALLT     |
| <b>Army</b>                |                |
| Active Duty                | ARMYACTIVE     |
| Annuity                    | ARMY_BEN_ _    |
| Reserve                    | ARMY_RC_ _ _   |
| Retirement                 | ARMY_RET_ _    |
| <b>Marine Corps</b>        |                |
| Active Duty                | Mar_Active     |
| Active Duty Allotments     | MCACTALLOT     |
| Annuity                    | MarCorAnn_     |
| Retirement                 | MarCorRet_     |
| Retirement Pay Allotments  | MCRETALLOT     |
| Reserve                    | MarCorRes_     |
| <b>Navy</b>                |                |
| Active Duty                | NAVY_ACT_ _    |
| Active Duty Allotments     | NAVY_ALT_ _    |
| Annuity                    | NAVY_ANN_ _    |
| Retirement                 | NAVY_RET_ _    |
| Retirement Pay Allotments  | NAVY_RPA_ _    |
| Reserve Drill Pay          | NAVY_RDP_ _    |

## Identifying the Payee

Field 7 Contents (Entry Detail Record)

| IF the payment type is ... | THEN the Individual ID Number field contents identify the payee by... | IF the payment type is ... | THEN Field 7 contents identify the payee by... |
|----------------------------|---|----------------------------|--|
| <b>Air Force</b>           |   |                            |  |
| Active Duty                | Individual's SSN  | Reserve                    | Individual's SSN                               |
| Active Duty Allotment      | Individual's SSN  | Retirement                 | Individual's SSN                               |
| Annuity                    | Individual's SSN  | Retirement Pay Allotment   | Individual's SSN                               |
| <b>Army</b>                |   |                            |  |
| Active Duty                | Individual's SSN  | Reserve                    | Individual's SSN                               |
| Annuity                    | Individual's SSN  | Retirement                 | Individual's SSN                               |
| <b>Marine Corps</b>        |   |                            |  |
| Active Duty                | Letters "KR"  | Reserve                    | Individual's SSN                               |
| Active Duty Allotment      | Individual's SSN  | Retirement                 | Individual's SSN                               |
| Annuity                    | Individual's SSN  | Retirement Pay Allotment   | Individual's SSN                               |
| <b>Navy</b>                |   |                            |  |
| Active Duty                | Individual's SSN  | Reserve                    | Individual's SSN                               |
| Active Duty Allotment      | Individual's SSN  | Retirement                 | Individual's SSN                               |
| Annuity                    | Individual's SSN  | Retirement Pay Allotment   | Individual's SSN                               |

## F: Garnishment of Federal Benefits

Garnishment is the execution, levy, attachment, or other legal process involving a written instruction issued by a court, a state or state agency, a municipality or municipal corporation or a state child support enforcement agency. This includes a lien arising by operation of law for overdue child support or an order to freeze the assets in an account, to impact a garnishment against a debtor.

Financial institutions are subject to the requirements of title 31 of the Code of Federal Regulations, part 212 (31 CFR part 212) which requires financial institutions to take certain actions upon receipt of garnishment orders.

Fiscal Service has published the document "[Guidelines for Garnishments of Accounts Containing Federal Benefit Payments](#)" that financial institutions can reference when a garnishment order is received for an account into which federal benefit payments have been directly deposited.

Financial institutions that receive a garnishment order are required to determine the sum of protected federal benefits deposited to the account during a two month period, and ensure that the account holder has access to an amount equal to that sum or to the current balance of the account, whichever is lower.

Title 31 CFR part 212 applies to the following federal programs:

- Social Security and Supplemental Security Income benefits administered by the Social Security Administration;
- Veterans benefits administered by the Department of Veterans Affairs;
- Federal Railroad retirement unemployment and sickness benefits administered by the Railroad Retirement Board; and

- Civil Service Retirement System and Federal Employee Retirement System benefits administered by the Office of Personnel Management.

To assist financial institutions, Fiscal Service is encoding an “XX” in Positions 54-55 of the “Company Entry Description” field of the Batch Header Record for ACH/PPD and ACH/CCD payments that are designated as federal benefit payments that are exempt from garnishment. This encoding allows financial institutions to determine whether a federal direct deposit payment is an exempt federal benefit payment. **Financial institutions may rely on the presence of an “XX” encoded in Positions 54-55 of the “Company Entry Description” Field to identify a federal benefit payment exempt from garnishment.**

EXAMPLES:

| <i>Benefit Payment Type</i>  | <i>Company Entry Description (Positions 54-63)</i> |                                  |
|------------------------------|--|----------------------------------|
|                              | <i>Prior to the Garnishment Rule</i>               | <i>With the Garnishment Rule</i> |
| Social Security              | SOC SEC  | XXSOC SEC                        |
| Supplemental Security Income | SUPP SEC   | XXSUPP SEC                       |
| Railroad Retirement          | RR RET   | XXRR RET                         |

Because it is possible that a commercial payment could also have an “XX” encoded in Positions 54-55, financial institutions must verify that the payment is a federal payment. This can be confirmed either by searching for a “2” in the “Originator Status Code” Field in the Batch Header Record (Position 79) OR by reviewing the description of the payment in the ACH Batch Header Record Company Entry Description to ensure that the payment is one of the exempt federal benefit types shown in the Fiscal Service publication “[Guidelines for Garnishments of Accounts Containing Federal Benefit Payments](#)”.