

April 4, 2025

ACH Originator Newsletter

Dear Valued F&M Bank ACH Originators:

Welcome to the 2025 edition of our ACH Originator Newsletter. It is hard to believe that 2025 is well under way! We want to take this opportunity to introduce ACH Rules changes that may affect you in the future and introduce you to an important additional service that you may find beneficial to your business.

First and foremost, we would like to take this opportunity to thank you for your business! The Treasury Management team at F&M greatly appreciates your partnership and the trust you place in us. We hope to continue to build our relationship with you for many years to come.

As you hopefully know and have experienced, F&M takes pride in our ability to provide exceptional and timely customer service. We want you to know that we are here to assist with any of your Treasury Management service needs. If ever you have a question, comment, or concern about your banking services, please do not hesitate to reach out to our team at the phone number or email address below.

What is NACHA?

N – National A – Automated C – Clearing H – House A – Association

Nacha is the independent organization that governs the ACH Network in the United States. Without Nacha, there would be no electronic Direct Deposits and Direct Payments as we know them today. In 2023 there were 31.5 billion ACH payments made with a total value of $80.1 trillion. Seeing those numbers makes one realize the importance of having an organization like Nacha in place to advance the nation's payments system. In addition to overseeing the network itself, Nacha delivers payment education, accreditation, advisory services and writes the Rules that all Originators (like yourself) and Banks (like F&M) must abide by. (https://www.nacha.org)

Nacha Rules Update

Here is the part of the newsletter that gets important! To stay in compliance with Nacha Rules, please make these changes to your internal processes and procedures as soon as possible. This year's updates are minimal and should not take significant resources to implement.

1. First, beginning March 20, 2026, if you use the ACH Network to pay your employees' wages, your files must include a description of "PAYROLL". If you are creating an ACH file using your accounting software, it is very possible that your software will have the ability to include this Standard Entry Description.

2. Next, beginning June 19, 2026, all Originators will be required to establish "risk-based processes and procedures" to identify any potentially fraudulent ACH transactions or transactions that are requested under "false pretenses" such as business email compromise, impersonation of one of your vendors or electronic takeover of your accounts.

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Treasury Support
Phone: 419-446-2506
Email: Treasury@fm.bank
Hours: M – F, 8 AM – 5 PM

Our Purpose: Nurturing lasting relationships and ***helping people live their best lives.***

Thank you again for the trust you place in F&M Bank and our Treasury Management Team!

F&M BANK

Nacha Rules Update Cont ...

3. The final Rule update applies to Notifications of Change or NOCs. A notification of change occurs when a transaction is originated with any incorrect information. This could occur due to or any number of other issues. The receiving bank will notify F&M that something has changed. The NOC is then passed along to you and includes the updated, correct information. For recurring payments, you are required to update the transaction information before submitting the next payment or within six (6) banking days of receiving the information. If you receive a NOC for a one-time payment, it is up to you what you do with the NOC information.

Fraud Prevention Service

The importance of having fraud prevention measures in place to protect your bank accounts cannot be overstated. F&M has seen a tremendous increase in the amount of attempted bank account fraud this year. Unfortunately, we do not expect those attempts to decrease any time soon. One of the best tools to fight fraud is Positive Pay. This is an online tool that gives businesses the ability to monitor all checks and ach debits on their checking/savings accounts.

How it works

F&M has two types of positive pay available for our business clients. Check positive pay ensures only authorized checks clear your accounts and ACH positive pay does the same for electronic debits.

Check Positive Pay:

The first step in check positive pay is for you to tell us what checks have been issued. You can do this by uploading your check register into online banking or each individual check can be input into online banking one-by-one. As checks are presented for payment, the system compares the information you provided to what is being presented. If anything differs, the system alerts you and gives you the ability to stop the payment of that item.

ACH Positive Pay:

ACH positive pay works in a similar manner. You tell the system what ACH payments are authorized. The system will then monitor ACH debits originated by outside parties. More specifically, the program is looking at the company ID being utilized to process the transaction. As the ACH transactions post to the account, differences in company ID or amount generate a notification to you. Once you decision them, you may build rules within the system to ensure that going forward they are no longer flagged. Should the ACH be unauthorized, you may simply choose Return in the exceptions processing screen and the dollar amount of the transaction will be credited back to your account that same day.

2024 POSITIVE PAY *SUCCESS*

$182,000
Total dollar amount in checks successfully returned in positive pay

$173,500
Total dollar amount in ACH's successfully returned in positive pay

For more information regarding positive pay, please reach out to our Treasury Team! *Treasury@fm.bank*

Link to Positive Pay tutorial on the F&M Website:
Online Education Center || Farmers & Merchants State Bank

Additional ACH Origination Tips

In addition to the above Rules updates, the below topics are good to keep in mind when originating any ACH transactions. As always, please do not hesitate to reach out to Treasury Management with any questions.

ACH Authorization Forms: When originating collections or payments, it is important to gather a signature from the individual or authorized business representative as authorization prior to processing the transactions. The form used to obtain authorization must include the account and routing number details and specify if the transaction is recurring or one-time. If you need a template of a form to use, please let us know! You do not need to provide us with the signed forms. These need to be kept on file in your records.

Emails requesting account changes: One of the most common methods of ACH fraud today is employee impersonation. The perpetrators of this type of fraud will email you acting as your employee or vendor requesting a change to the account number you are to use for the transaction. Should you receive an email requesting that an account/routing number be updated for any transaction, please call that individual back on a number you know to ensure this is a legitimate request.

Dual-control: ACH Origination at F&M Bank should be established with dual-control. This system is one additional method to avoid unauthorized transactions. Dual control requires one user to submit a transfer, then another user must login and approve it prior to being sent to the federal reserve for processing. While dual control is strongly encouraged it is not required. Should you wish to forego the dual-control option, please let our team know, and we will send a dual-control opt-out form to be signed for our records.

Same-Day ACH: Same-day ACH allows you to submit an ACH transfer to be effective the same business day as origination. These transfers must be submitted (and approved if dual control is in place) by 2PM EST. A same-day ACH will credit or debit the desired individual or business account by the end of day. Again, this is only available on business days and not available on weekends or Federal Reserve holidays. *Additional processing fees may apply.

Security tokens: Security tokens are used to produce the one-time passcode at login and file release for all ACH users. Currently, F&M has two different types of security tokens available. We have a fob/hard token which is a small keychain device where a button is pushed to produce the one-time passcode. The second option is the DIGIPASS App or soft token. This is accessible on your mobile device. Users can choose which type of token would best suit them and can change their option at any time.

Temporary ACH Limit Increases: ACH limits are established to protect you! While processing your ACH transactions, should you exceed your ACH limit, we are here to assist! You may contact our Treasury Support Team directly and request the limit be increased for the day. Please include the details of the transfer you are needing to send along with your requested increase dollar amount. To calculate the dollar amount needed, please also include any other transfers you have submitted and are still pending. The Treasury Management Team will obtain the applicable approvals and will send a form to an authorized individual on your account for signature. Once increased, we will notify you the change has been made. After we have increased your limit, please log back in and re-process your transfer.

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