



August 22, 2013

NACHA: Return Reason Codes

Executive Summary

- NACHA - the Electronic Payments Association has issued a proposal to clarify its return reason codes, as part of its compliance and operational topics initiative to clarify rules, and improve processing on the Automated Clearing House (ACH) network.
- Specifically, this proposal would amend the NACHA Operating Rules (NACHA Rules) regarding return reason codes by clarifying that:
 1. **R03** would be the appropriate return reason code for an Receiving Depository Financial Institution (RDFI), including a credit union, to use if it chooses to return an Entry because the Receiver's name on the Entry does not match the name on the account. R03 would be renamed "Receiver's Name on the Entry Does Not Correspond to the Owner of the Account"; and
 2. **R04** would be the appropriate return reason code for an RDFI, including a credit union, to use if it must return an Entry because of problems with the account number itself. R04 would be renamed "Invalid Account Number" to reflect its use for the return of an Entry due to any problem with the account number itself, such as an invalid account number structure, bad check digit, etc.
- NACHA believes these changes would benefit ACH participants by eliminating ambiguity currently associated with the use of these return reason codes and improving processing efficiency for RDFIs and Originating Depository Financial Institutions (ODFIs). The proposed changes help distinguish between problems with the Receiver's name, as opposed to the account number, and are intended to standardize code usage across all RDFIs.
- The proposed changes would be effective March 20, 2015.
- CUNA is interested in how this proposal would affect credit union operations and compliance on the ACH network. These proposed changes are intended to be technical amendments.
- Comments for the proposed rule are due to NACHA by September 20, 2013; **please submit your comments to CUNA by September 9, 2013.**
- Please e-mail your comments to CUNA Assistant General Counsel for Regulatory Research Dennis Tsang at dtsang@cuna.com.

- For further details, please visit the NACHA [request for comment executive summary](#); proposed [modifications](#) to the NACHA Rules; and their [ACH participant survey](#).
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Questions to Consider Regarding the Proposal

1. Does your credit union support these proposed changes to the NACHA Operating Rules for return reason codes R03 and R04?

2. Any other comments or suggestions?

Thank you for your comments.