



# Double Booked: When Nacha and Reg E Don't Agree

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# Agenda

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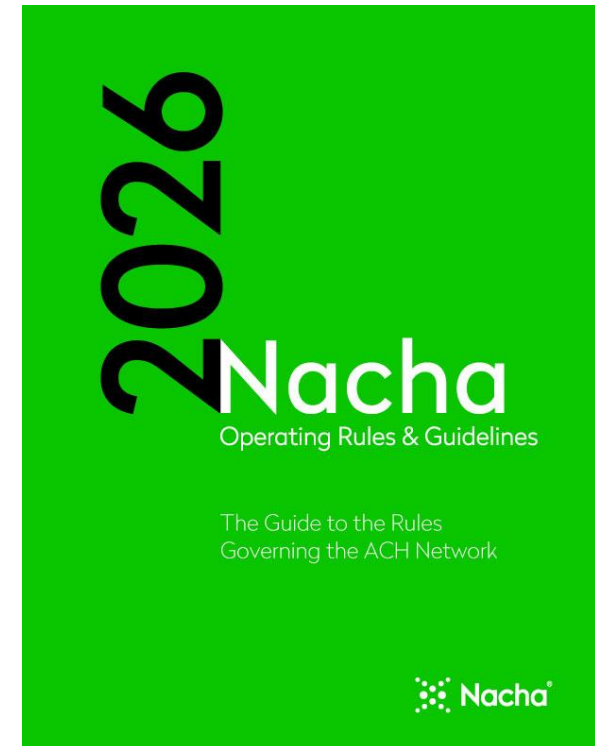
- Nacha and Reg E Overview
- Consumer Claims and Institution Responses
- RDFI Responsibilities
- When and How to Apply the Correct Rules
- Scenarios and Examples



# Nacha Operating Rules

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- National Automated Clearing House Association
- Governs the exchange and settlement of electronic fund transfers through ACH
- Nacha Operating Rules only apply to transactions sent to or received from one or more ACH Operators



# Regulation E

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- Implements the requirements of the Electronic Fund Transfer Act (EFTA) of 1978
- The Board of Governors of the Federal Reserve System issued Regulation E
- Now under Consumer Financial Protection Bureau (CFPB)



# The Purpose of Reg E

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## Carry out the goals of the Electronic Fund Transfer Act

- Sets forth the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services and the financial institutions that offer such services.

Consumer protection when engaging in electronic fund transfers

# Regulation E Coverage

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## General (Subpart A)

- Applies to any EFT that authorizes a FI to debit or credit a consumer's account

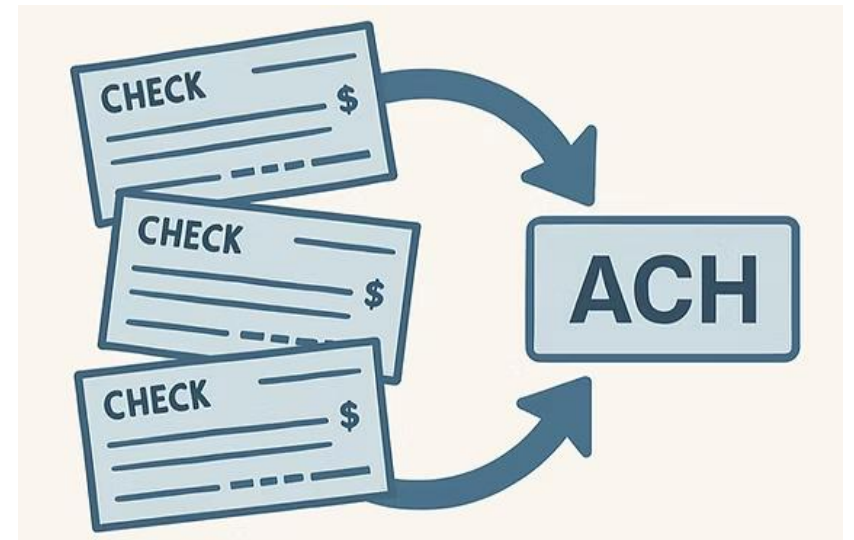
## EFT defined

- The term EFT means any transfer of funds that is initiated through an electronic terminal, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing an FI to debit or credit a consumer's account
- **ACH (PPD, ARC, BOC, POP, TEL, WEB)**
- Debit Card Transactions (PIN & Signature)
- ATM Transactions
- Other consumer EFTs (P2P, Cross-border remittance)

# Regulation E Coverage

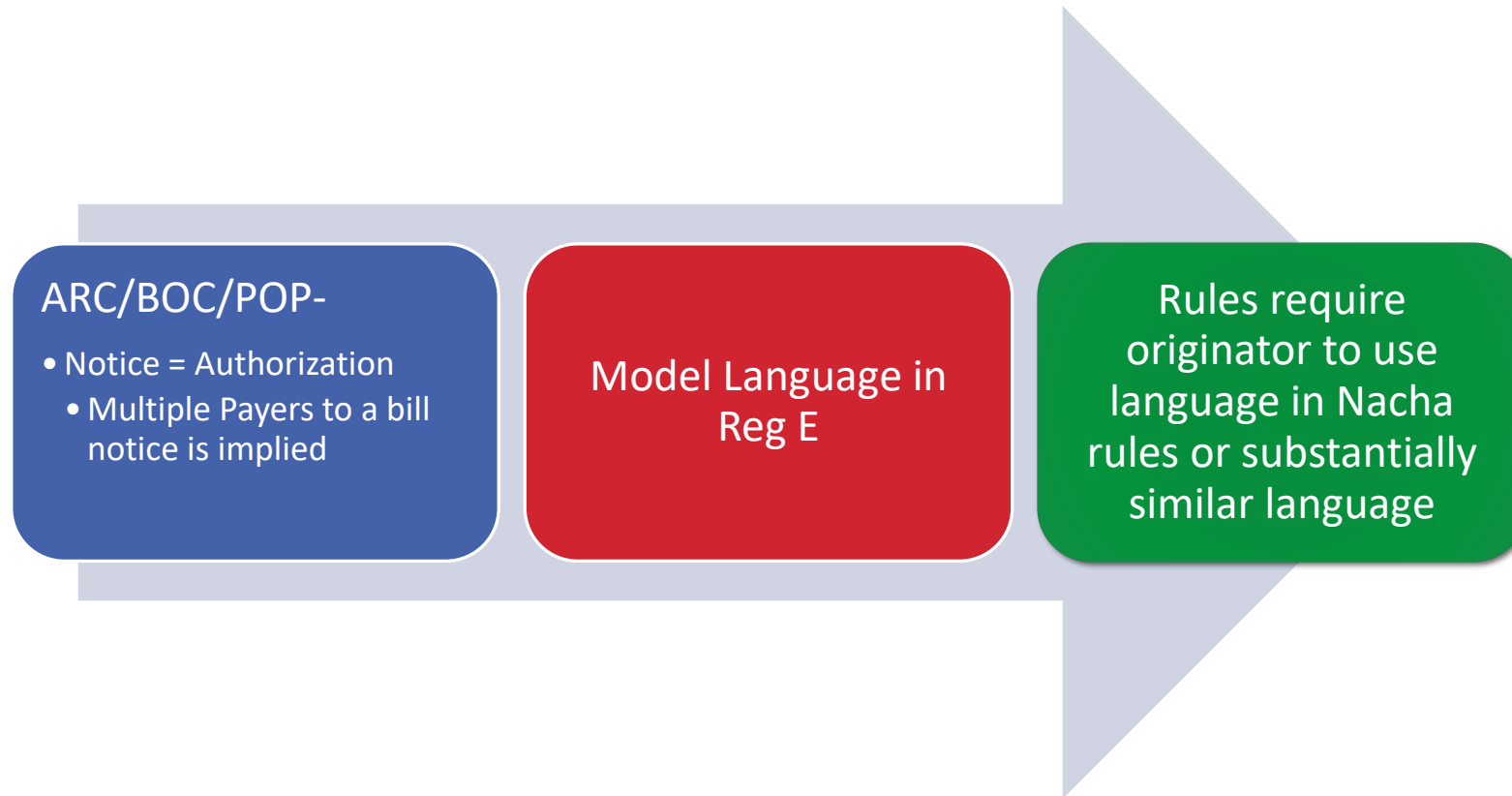
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- Check Conversion
- Regulation E applies to transactions where information from a check is used to initiate a one-time electronic fund transfer from a consumer's account
  - POP, ARC and BOC (notice)



# Electronic Check Transactions

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ARC/BOC/POP-

- Notice = Authorization
- Multiple Payers to a bill notice is implied

Model Language in  
Reg E

Rules require  
originator to use  
language in Nacha  
rules or substantially  
similar language

# What is Not Covered?

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- Checks (unless converted)
- Wires
- Telephone transfers
- Securities or Commodities
- Automatic transfers
- Small Institutions (under \$100 million)

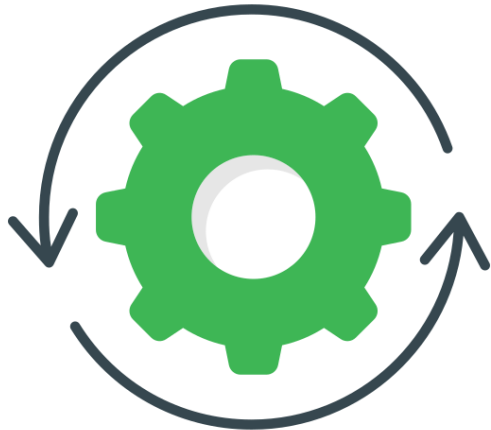


# To Recap...

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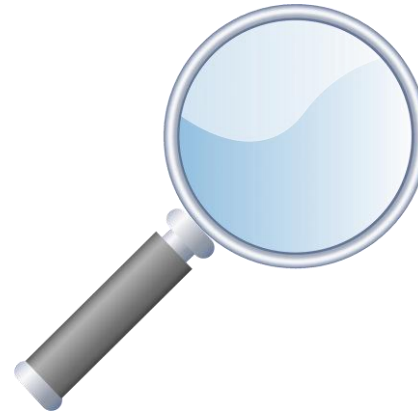
## Nacha

- How ACH transactions are processed and returned



## Reg E

- Consumer protection + investigation requirements





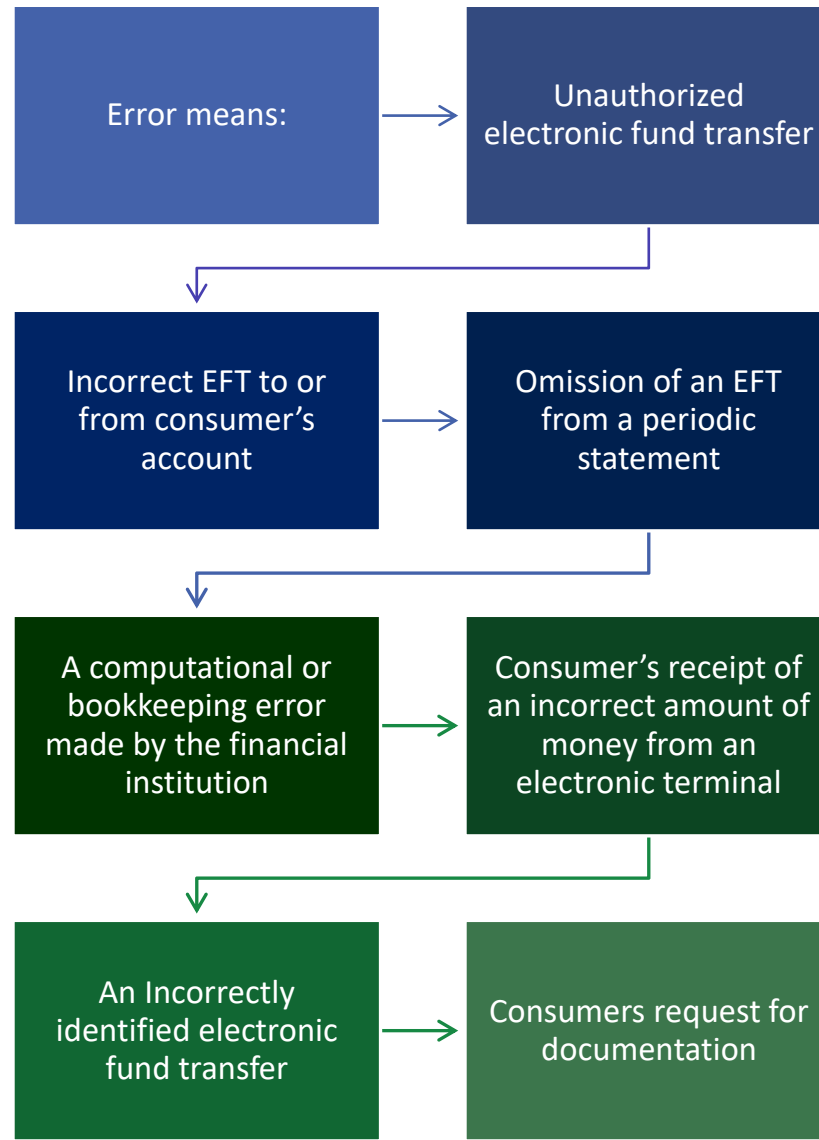
# Consumer Claims and Institution Responses

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*Regulation E Perspective*

# What Triggers a Claim?

Error Resolution 1005.11



## Errors Do NOT Include:



Routine inquiry about account balance



A request for tax or other bookkeeping purposes



A request for duplicate copies of documentation

# Consumer Responsibilities

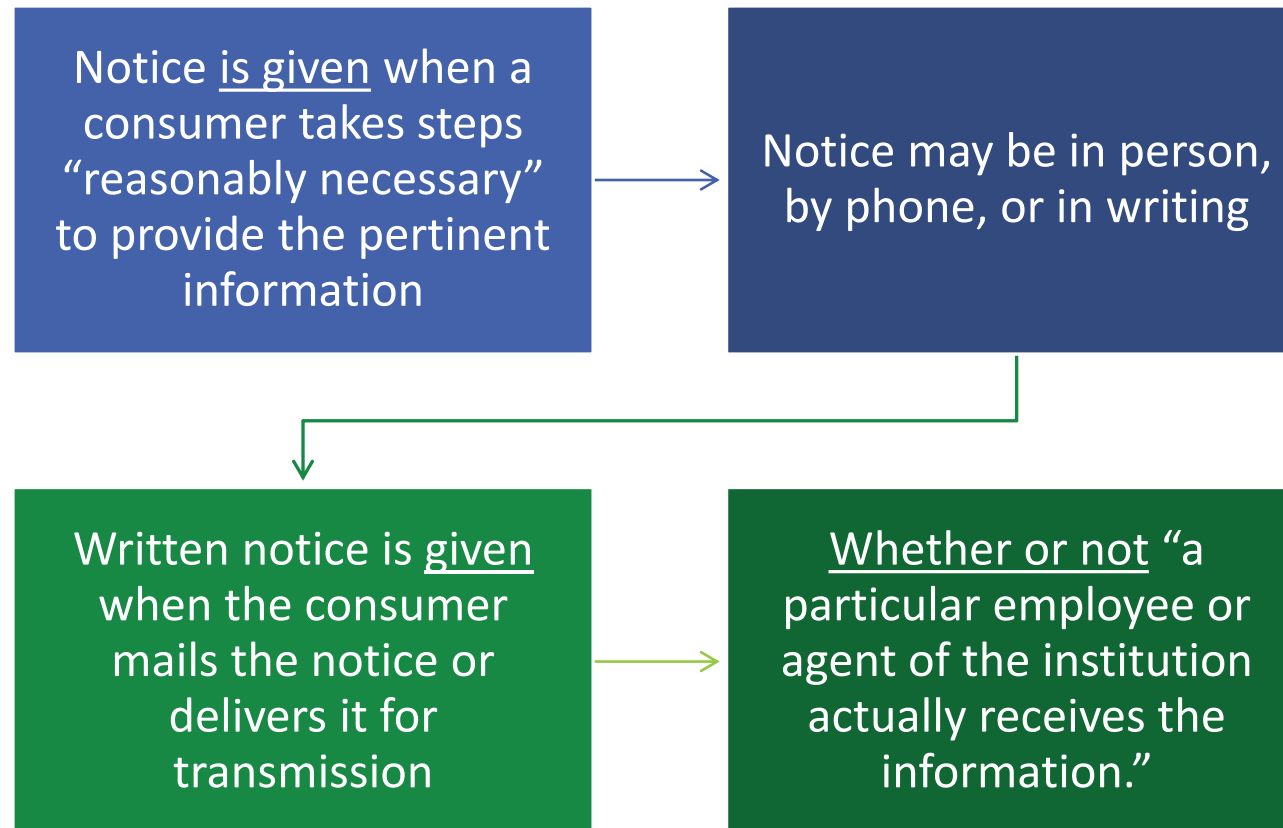
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- Notice of Error from Consumer 1005.11(b)
- Must report within 60 Days of the periodic statement
- FI must identify the consumer's name and account number
- Consumer must provide details of the issue



# Consumer Responsibility: Notice

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# Uh Oh! It's After 60 Days...

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If consumer gives notice beyond 60 days, consumer's liability will not exceed the amount of the unauthorized transfer that occur after the close of 60 days and before the notice and that would not have occurred had timely notice been given

- This is the consumer liability!
- FI is still liable for unauthorized EFTs within the first 60 days

# Notice Extensions

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- If the consumer's delay in providing notice was due to extenuating circumstances (e.g. vacations and hospitals)
- Institution shall extend notice periods by a reasonable amount



# Institution Responsibility

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- **Regulation E** provides rules that protect consumers in regard to “errors” in electronic transactions.
- If a consumer claims that an error has occurred, the financial institution is required to:
  - Take **ACTION** by:
    - **INVESTIGATING** the error
    - Providing a **RESOLUTION** to the consumer and,
    - **COMMUNICATING** the resolution to the consumer



# Investigating Alleged Errors 1005.11(c)

## Ten Days:

A financial institution must determine whether an error occurred within 10 business days of receiving a notice of error

- Investigation

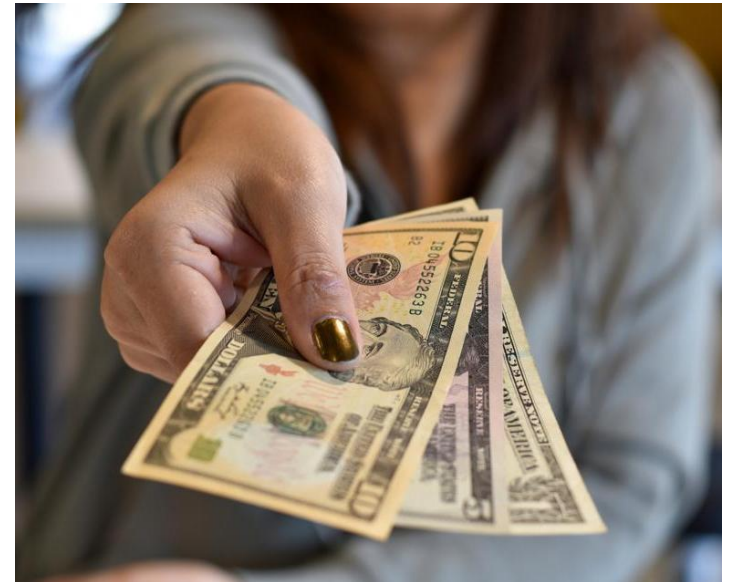
Have 3 business days to report results to consumers after completing investigation

Must correct error within 1 business day after determining that an error occurred

# Provisional Credit

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- For Unauthorized EFT
  - May withhold the maximum of \$50
- Need not provide provisional credit if:
  - FI does not receive written notice of error within 10 days of the oral notice



# No Error 1005.11(d)

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Provide written report of investigation to consumer

Explanation of findings  
Consumer has the right to request documents the institution relied on

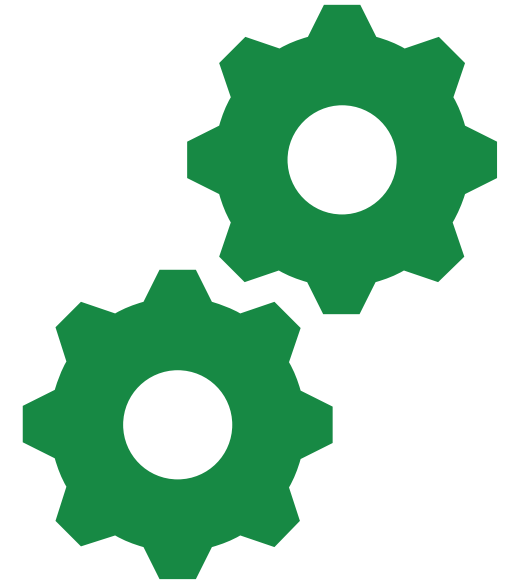


Written notice of debiting provisional credit

# Operational Controls and Tools

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- Case management/dispute tracking systems
- Tickler/calendar systems
- Automated deadline monitoring
- Standardized intake forms
- Workflow separation:
  - Reg E investigations
  - ACH return processing
- Internal escalation procedures





# Consumer Claims and Institution Responses

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*ACH / Nacha Perspective*

# Nacha's Role in ACH Disputes

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- Provides the framework for returning ACH entries
- Establishes return reason codes and return deadlines
- Requires a WSUD for most consumer unauthorized returns
- Focuses on ACH processing obligations—not consumer investigations

# ACH Return Items

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- RDFI may return entries for any reason, provided it used an appropriate Return Reason Code.... If no appropriate Return Reason Code is specified, the RDFI shall use the code which most closely approximates



ComputerHope.com

# ACH Return Timeframes

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## General Returns

- Available to the ODFI on the morning of the second banking day following the settlement date of the original entry

## CCD & CTX

- “2 day” return time frame with exceptions

## Improper or Unauthorized Returns

- 60 days from settlement date

# *Nacha's*

## Definition of Unauthorized Debit

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The Receiver does not know the Originator or has no relationship with the Originator

Authorization not obtained in accordance with the rules (SEC codes defines how the entry is to be authorized)

Amount different than what was authorized

The receiver was debited earlier than what was authorized

The authorization was not clear and conspicuous

The company failed to credit the agreed upon account

# Written Statement of Unauthorized Debit

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Is required when a consumer desires to be re-credited for an unauthorized or improper debit Entry

Written statement must be signed and dated

- on or after the Settlement Date of the Entry(ies)

More than one Entry from a specific Originator may be on one form

All details for each entry on each form

# Written Statement of Unauthorized Debit

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RDFI does not need to confirm the truthfulness of the consumer's statement when the consumer claims an item was unauthorized



ODFI has the right to a copy of the signed WSUD for up to 1 year from the date the WSUD was signed



RDFI must provide copy within 10 Banking Days if requested by ODFI

# Limitation of Claims Based on Unauthorized Entries

## Consumer Accounts

Two years from Settlement Date of the Entry and/or  
95 Calendar days from Settlement Date of First Unauthorized Entry



## Non-Consumer Accounts

One year from Settlement Date of Entry

# Limitation– Consumer Account

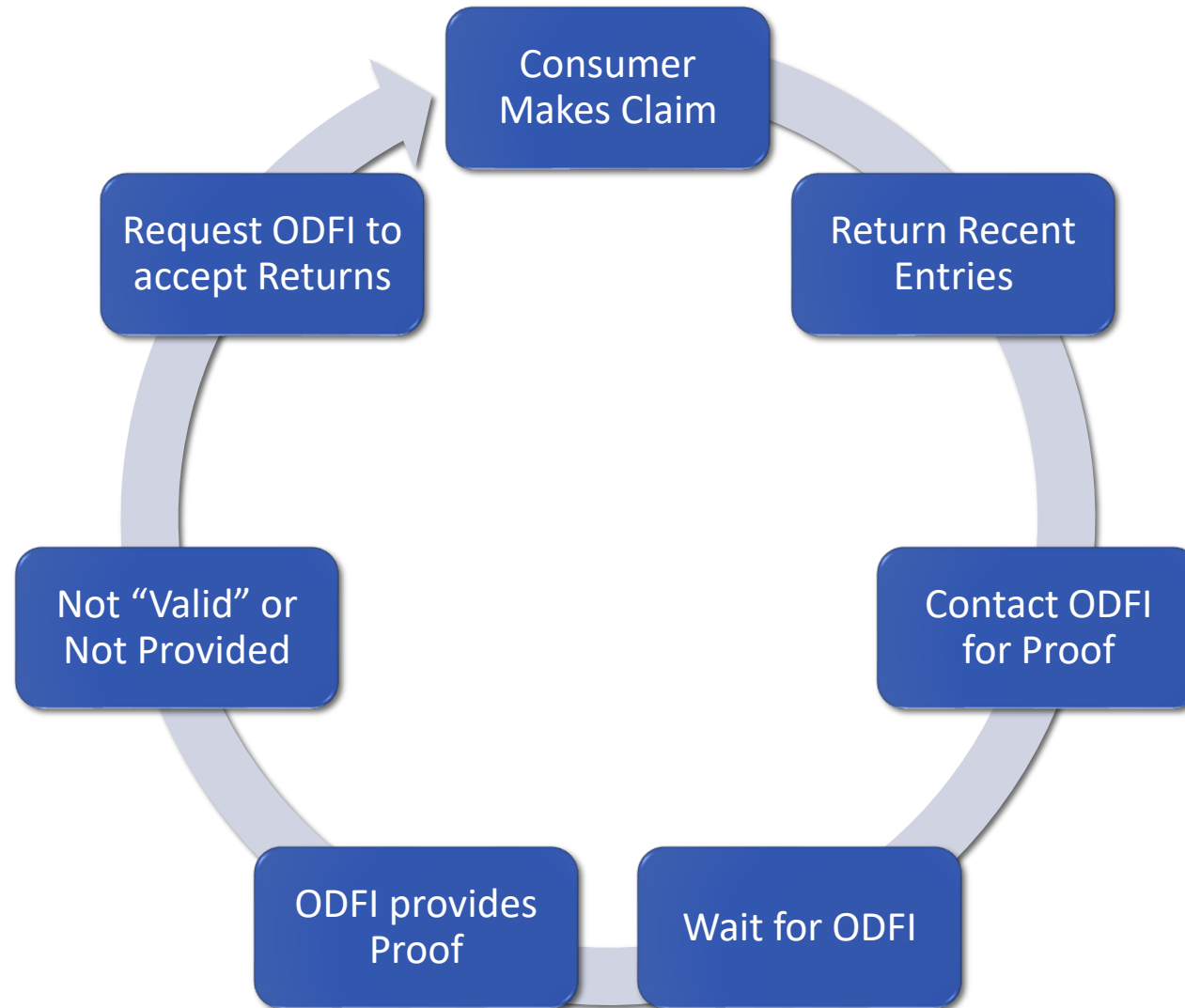
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- **Claim Date: October 1, 2025**

- Consumer reports 7 years worth of recurring debits as unauthorized
- RDFI likely able to return at least “2” entries – within the last 60 days
- RDFI can make claim for payments within the **first 95 days** – 1 – 4 entries
- RDFI can make claim for payments in the ***most recent 2 years*** – October 2023 – October 2025

- **Claim Date: October 7, 2025**

- Consumer reports 3 debits as unauthorized
- August 1, September 1, October 2
- RDFI returns – September 1 and October 2 as unauthorized per the ACH Rules
- RDFI can make claim for August 1
  - 2 years and/or
  - 95 days
  - Falls into either category



**Process Does Not Change**

# Summary – Warranty Limitations

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## Consumer Claims

Automatic Right to Return within last 60 days from Settlement Date

RDFI can still make a claim for last 2 years worth of transactions

RDFI can make a claim for the first 95 days of entries from the original entry if it is older than 2 years

This change still maintains RDFIs compliance with Regulation E requirements

Most importantly we need to continue to remind account holders to monitor statements



# FI Responsibilities

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*Reg E and Nacha*

# RDFI Responsibilities

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## Reg E

- Investigate all claims
- Provide provisional credit
- Communicate results

## Nacha

- Obtain WSUD
- Meet return deadlines
- Use correct return codes

**Nacha = Transaction Handling**  
**Reg E = Consumer Handling**

# Reg E – Periodic Statements

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Must provide a periodic statement for each monthly cycle in which an electronic fund transfer has occurred

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or

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Shall send a periodic statement at least quarterly if no transfer has occurred

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Only applies to accounts to or from which electronic fund transfers can be made

# Reg E - Periodic Statements

Must disclose:

Transaction information (amount, date, type, and, as applicable, terminal location and identity of third parties)

Account number

Fees

Balances (at beginning and end of statement period)

Address and telephone number for inquiries (and preauthorized transfers)

# Nacha Statement Requirements

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## Periodic Statements

- RDFI must provide a statement to all consumer accounts
  - Company name & description
  - Date & amount
  - Terminal City & State (POP & Card-related entries)
  - Check Serial Number (ARC, BOC, RCK, POP, XCK)

# Stop Payments

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## Reg E

- Consumer may stop payment of a preauthorized EFT
  - By notifying the financial institution
  - Orally or in writing
  - At least three business days before the scheduled date of the transfer
- Financial institution may:
  - Require written confirmation of stop payment order
  - Within 14 days of oral notification
  - Oral notices cease to be binding after 14 days (if properly disclosed to consumer)

## Nacha

- The RDFI may require:
  - Up to 3 business days to accept a verbal or written stop payment order
  - Order be in writing within 14 days of accepting a verbal order
- Exceptions to the 3 day rule
  - ARC , BOC, POP, RCK
  - IAT, PPD, TEL or WEB (single entries)
  - All commercial entries
  - Stop payment order must be provided to the RDFI in such a manner as the RDFI has a reasonable opportunity to act

# Amount Change Reg E & Nacha Rules

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When a preauthorized EFT has a change in date, notice needs to be sent 7 days in advance of the date of the debit



When a preauthorized EFT will vary in amount

Must send written notice to the consumer of the amount and date of transfer

At least 10 days before the scheduled date of transfer



A consumer may elect to receive notice for all varying transfers, or only those outside a specified range of amounts

# Nacha Rules and Regulation E

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Regulation E deals with the banking relationship between the RDFI and the Receiver when dealing with unauthorized entries



Regulation E does not provide a mechanism for the RDFI to recoup the provisional credit



There is no conflict between the Nacha return time frame and Regulation E - they do not do the same thing



# When and How to Apply the Rules

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# Step 1: Identify the Account

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Consumer – Reg E applies



Business – Reg E does not apply

# Step 2: Identify the Issue

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Error



Unauthorized



Revoked Authorization

# Step 3: Timing

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Within the Nacha return window?



Within the Reg E timeframe?

# Step 4: Applying the Rule

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Within both timeframes – Apply both rules



Outside the Nacha timeframe – Reg E still applies



Business Account – Nacha only



# Scenarios

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# Scenario #1

Jenny was on vacation and was not checking her accounts. She reports an unauthorized ACH debit 75 days after the transaction posted to the account.



- Can the RDFI return the entry?
- Does Regulation E still apply?
- What are the RDFI's obligations?

## Scenario #2

John Cena authorized recurring ACH debits for a gym membership.

John later canceled the agreement with the gym because he didn't need the extra muscles, but noticed he was debited again this month.

His claim is that the transactions are unauthorized.

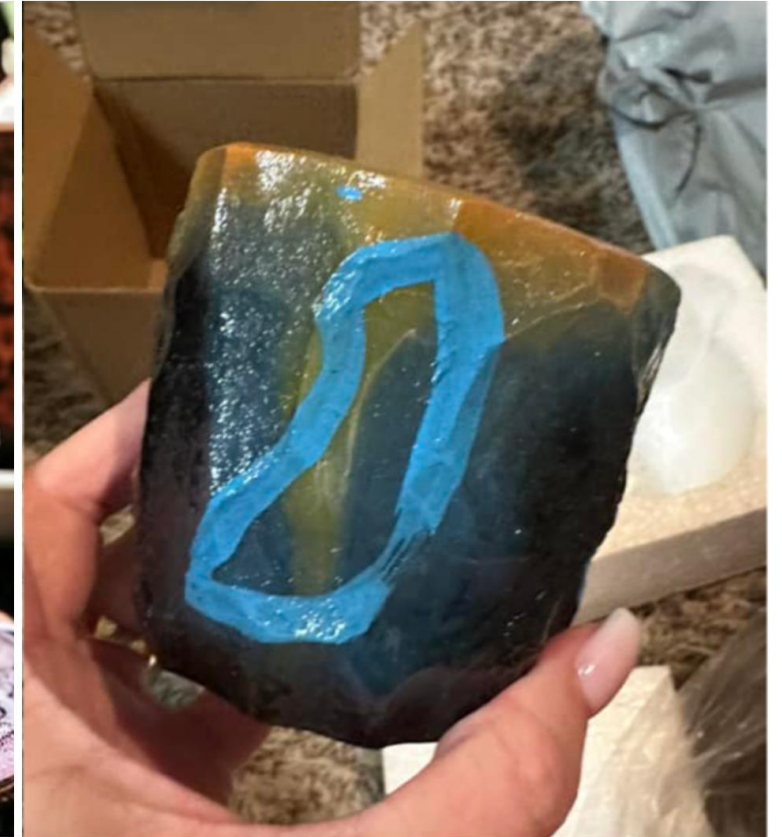


- Do the Nacha or Reg E rules apply?
- What return reason code would be best in this situation?

## Scenario #3

Dolores purchased a cute crystal mug she saw in an ad through ACH. She got the product, but it was not what she expected!

She is unhappy with the AI image that misled her to buy the mug. She wants to dispute this transaction with her FI.



- Does this qualify as unauthorized under Reg E?
- How would you resolve the situation?



# Questions?

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