

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 Automated Clearing House (ACH) payments. It contains Routing Numbers (RTN) and a single financial institution name and mailing address for each RTN.

The FOMF is derived from the Federal Reserve Bank's (FRB's) 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 Financial Management Service (FMS) relies on the FOMF data to validate RTNs used to originate payments and to send financial institutions the following:

- reclamation notices
- trace inquiries
- 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 Numbers

If a financial institution changes RTNs (e.g., due to merger), it must notify its servicing FRB's ACH Department as soon as possible to have the old RTN to have the ACH reflect the Financial Institution's active ACH routing numbers. 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 affected 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 ACD:

If an institution wants to update the information that appears on the file they should submit “Attachment E” of the FedACH Participation Agreement to their designated FedACH Central site. The FedACH Participation Agreement can be accessed on the FRB website: <http://www.frbservices.org/StandardForms/index.html>.

If you have any questions in reference to updating data, you should work with your Regional Payment Association or the appropriate FRB Central Operations Support Site:

Atlanta

Toll Free: (866) 234-5681

Minneapolis

Toll Free: (888) 883-2180

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 Federal Reserve Bank’s 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 FMS, Department of Defense Disbursing Offices, and the Bureau of the Public Debt (for Treasury Direct Payments). The Federal Reserve is the Federal government’s ACH Operator.

Prenotification

The Federal government prenotification process is handled in accordance with NACHA Operating Rules. Social Security originates prenotifications 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 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 at <http://www.fms.treas.gov/ach>.
 - 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 FMS 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 institutions’ primarily regulator.
- Where Treasury has granted a waiver.

Misdirected Payments

On rare occasions, 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 FI can identify the correct receiver, the FI 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 FI does this at its own risk and may be liable to the issuing agency if the FI is incorrect and there is a resulting loss by the agency. If the FI 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, NOCs, for more information. If the FI cannot credit the misdirected payment to the correct account, the FI 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 an FI 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 Code 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 FMS
- 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.)
- 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 a Notification of Change (NOC) entry with the correct account and/or Routing and Transit Number information (Please note that the FI does this at its own risk and may be liable to the issuing agency if the FI 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 8, Contacts.
- Any other means deemed acceptable by the agency that disbursed the ACH credit payment

Availability of Funds

In accordance with NACHA Operating Rules, consumer payments (i.e., Federal salary and travel payments, benefit payments) must be made available for withdrawal no later than the opening of business on the settlement date (provided the entries are made available to the Receiving Depository Financial Institution (RDFI) by its ACH operator no later than 5:00 p.m. on the business day prior to the settlement date). Corporate payments (i.e., vendor payments, non-benefit payments) must be made available for withdrawal on the settlement date.

Electronic Transfer Account (ETASM)

The ETA is a low-cost account designed by Treasury to provide individuals who receive Federal benefit, wage, salary, or retirement payments the ability to receive their payments electronically. Any individual who receives a Federal benefit, wage, salary, or retirement payment is eligible to open an ETA. Financial institutions that choose to offer ETAs (ETA Providers) will enter into a Financial Agency Agreement with Treasury, outlining the duties of the financial institution.

C. Federal ACH Payment Schedule

FMS publishes the Federal ACH Payment Schedule annually in NACHA's "ACH Rules: A Complete Guide to Rules and Regulations Governing the ACH Network." This listing provides the actual payment date for recurring Federal payments. The payment date equals the ACH settlement date. This listing is also available for viewing/download on the FMS website: www.fms.treas.gov/greenbook/achpay.html.

D. Identifying Treasury Disbursed Payments

Treasury disbursed payments can be identified using information contained in the Company/Batch Header Record. The Regional Financial Center/Routing Number Table on pages 2-7 to 2-8 lists the appropriate information for each FMS RFC. You can identify a payment by locating the following information:

RFC Symbol Number

Field 3, Company Name, of the Company/Batch Header Record

Routing Number

Field 12, Originating DFI Identification, of the Company/Batch Header Record

Sample Company/Batch Header Record (with identifying information highlighted)

```
101 111111111 222222222205141842F094101 FEDACH US TREASURY PAM
5220BEP1 TREAS 303 3333333333 CCD MISC PAY051512120515244444444000001
```

RFC Symbol Number: 310 (Kansas City RFC), 303 (Philadelphia RFC), and 312 (San Francisco RFC).



Note: A '2' in field 11 of the Company/Batch Header Record identifies the Originator as a Federal government entity or agency.

Questions? Contact the FMS Payment Management Call Center **(855) 868 - 0151**.

Regional Financial Center/Routing Number Table

The table below lists the specific payments distributed by the Regional Financial Centers (RFC).

RFC	Symbol	Class of Payment
Kansas City Questions? Contact the FMS Payment Management Call Center: (855) 868-0151	310	SSA PMA (Adjustment)
		SSA CMA/Recurring
		SSA CMA/Recurring
		Federal Salary
		Travel
		Thirst Savings Plan
		Annuity
		Annuity
		Vendor/Miscellaneous
		IDD
		SSI Monthly
		SSI Daily
		VA Benefit
		VA Retro (Adjustment)
		VA Public Law Chapt 31
		VA EDUCATION CHAPTER 30
		VA EDUC CHAP 1606
		VA SPINA BIFIDA/CHAPTER 18
		VA (RESERVED)
		VA (RESERVED)
		VA (RESERVED)
		VA (RESERVED)
		VA (RESERVED)
Federal Salary		
Travel		
Vendor/Miscellaneous		
Prime Pay		

Regional Financial Center/Routing Number Table (cont.)

RFC	Symbol	Class of Payment
Philadelphia Questions? Contact the FMS Payment Management Call Center: (855) 868-0151	303	SSA PMA (Adjustment)
		SSA CMA/Recurring
		SSA CMA/Recurring
		Federal Salary
		Vendor/Miscellaneous
		SSA (CMA Recurring/INT'L)
		SSA (PMA/INT'L)
		Branch II Payments
		SSA/CMA Recurring Cycling
		SSA/CMA Recurring Cycling
		SSA/CMA Recurring Cycling
		RRB Daily (Adjustment)
		RRB UISI
		RRB Monthly
		BPD Pensions
VA INSURANCE (RESERVED)		
San Francisco Questions? Contact the FMS Payment Management Call Center: (855) 868-0151	312	OPM Monthly
		OPM Daily (Adjustment)
		SSA PMA (Adjustment)
		SSA CMA (Recurring)
		Federal Salary
		Travel
		IRS IMF (Tax)
		Vendor/Miscellaneous



Note: Current Month Accrual (CMA), Prior Month Accrual (PMA)

Consumer Payments

Consumer Payment Formats

Consumer payments are designated for deposit into an individual's account. They are identified by the Standard Entry Class Code (SEC) 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 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.

FMS encourages receiving financial institutions 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
- Public Debt payments.

Identifying the Paying Agency/Payment Type for Treasury Disbursed Payments

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

Paying Agency/Payment Type	Field 7 Contents
Bureau of the Public Debt/TreasuryDirect	
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_PAYMNT
Central Intelligence Agency	
CIA Annuity	CIARDSANNU
Department of Veterans Affairs	
Compensation and Pension	VA_BENEFIT
Federal Salary	FED_SALARY
Federal Travel Payments	FED_TRAVEL
Office of Personnel Management	
Civil Service Retirement (Annuity)	CIVIL_SERV
Railroad Retirement Board	
Railroad Retirement/Annuity	RR_RET_ _ _ _
Unemployment/Sickness	RR_UISI
Social Security Administration	
Social Security	SOC_SEC_ _ _
Supplemental Security Income	SUPP_SEC_ _

Identifying the Payee for Treasury Disbursed Payments

Field 7 Contents (Entry Detail Record)

IF the payment type is THEN Field 7 (Individual ID field) contents identify the payee by...

Bureau of the Public Debt/TreasuryDirect

Marketable Securities (Bills, Notes, and Bonds) . . . Account Number

Central Intelligence Agency

CIA Annuity Individual's SSN
 Positions 1-6 of the agency location code
 Federal Salary Individual's SSN or Employee's Identification
 Number and agency location code
 Federal Travel Individual's SSN or Employee's Identification
 Number and agency location code

Office of Personnel Management

Civil Service Retirement (Annuity) CSA (Annuitant) or CSF (Fiduciary)
 Blank
 Claim Number Prefix = A or F (most common)
 Claim Number (7 digit #)
 Claim Suffix = 0 or W (most common)

Railroad Retirement Board

Railroad Retirement/Annuity Beneficiary Symbol
 Beneficiary Prefix
 Claim Number
 Blank
 Payee Code
 Railroad Unemployment/Sickness Social Security Number

Social Security Administration

Social Security Claim Number
 Supplemental Security Income. Claim Number

Department of Veterans Affairs

VA Compensation and Pension Claim Number
 Payee Code

Department of Labor

Miners Benefit/Black Lung Type of Payment

E. Identifying Non-Treasury Disbursed Payments

Identifying the Paying Agency/Payment Type for Non-Treasury Disbursed Payments

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

Paying Agency/Payment Type	Field 7 Contents
Air Force	
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
Army	
Active Duty	ARMYACTIVE
Annuity	ARMY_BEN_ _
Reserve	ARMY_RC_ _ _
Retirement	ARMY_RET_ _
Marine Corps	
Active Duty	Mar_Active
Active Duty Allotments	MCACTALLOT
Annuity	MarCorAnn_
Retirement	MarCorRet_
Retirement Pay Allotments	MCRETALLOT
Reserve	MarCorRes_
Navy	
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 for Non-Treasury Disbursed Payments

IF the payment type is . . .

THEN Field 7 contents
identify the payee by . . .

Air Force Active Duty Active Duty Allotment Annuity Reserve Retirement Retirement Pay Allotment		Individual's SSN
Army Active Duty Annuity Reserve Retirement		Individual's SSN
Marine Corps Active Duty Active Duty Allotment Annuity Retirement Retirement Pay Allotment Reserve		Letters "KR" Individual's SSN
Navy Active Duty Active Duty Allotment Annuity Retirement Retirement Pay Allotment Reserve		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 effect 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.

Appendix A contains guidelines that financial institutions can reference when a garnishment order is received for an account into which Federal benefit payments have been directly deposited. Appendix A can be found at the conclusion of this Chapter or is available at:

http://www.fms.treas.gov/greenbook/guidelines_garnish0311.pdf

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.”

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, Treasury/FMS 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.**

See examples next page.

EXAMPLES:

Benefit Payment Type	Company Entry Description (Positions 54-63) – Prior to the Garnishment Rule	Company Entry Description Garnishment Rule (Positions 54-63) – With the Garnishment Rule
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 Appendix X on the GreenBook main page.

Appendix

The publication “Guidelines for Garnishments of Accounts Containing Federal Benefit Payments” has been included in this chapter as an appendix starting on the next page.