

AMERICAN PAYROLL ASSOCIATION

July 17, 2020

Ms. Maribel Bondoc
Manager, Network Rules
Nacha
2550 Wasser Terrace, Suite 4001
Herndon, VA 20171
Email: mbondoc@nacha.org

Re: Account Information Improvements Through the ACH Network – Request for Comment

Dear Ms. Bondoc:

The American Payroll Association (APA) thanks you for the opportunity to provide feedback concerning Nacha's proposed rule changes to facilitate account information improvements through the ACH network. The proposed rules would enhance the prenote and Micro-Entry processes and is intended to improve the effectiveness of Notifications of Change (NOCs). The APA supports the proposed rules and believes that they will be beneficial for payroll professionals and the employees they pay through ACH direct deposit.

APA strongly supports the proposed changes for prenotes. When an employee first signs up for direct deposit, an employer has the option to run a prenote to validate the employee's bank account information. Under the current rules, the employer does not receive a reply indicating that the bank information is correct, a reply is only received if there is a problem. The employer also must wait for three banking days before sending a live ACH entry. The proposed rules would expedite the prenote process and provide payroll with the information necessary to begin direct deposit sooner. Depending on when the employee is hired and banking information is supplied, this may allow the employee to be paid by direct deposit rather than a paper check the first time the employee is paid. For existing employees who decide to utilize direct deposit, the transition to electronic pay would be faster.

About the American Payroll Association

The APA is a nonprofit professional association of over 20,000 payroll professionals in the United States. Our membership also includes representatives of large, medium, and small payroll service providers who are responsible for processing payroll for an additional 1.5 million employers. In total, the APA represents those professionals responsible for paying an aggregate total of one-third of the private sector workforce. The APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers, while complying with applicable federal, state, and local laws. In addition, the APA's Electronic Payments Committee promotes the expanded use of direct deposit and electronic payments.

Survey question responses

Here are APA's responses to certain questions included in the request for comment. The questions that are not answered are not directly applicable to payroll professionals.

1. *Overall, does your organization support the purpose of improving the ACH Network's capabilities to validate and correct account information?*

Yes. APA believes that improving the capabilities to validate and correct data is an important goal and that the proposed rules will help strengthen the integrity of the data in the ACH network.

2. *What does your organization think is the overall impact of the proposal, taken in its entirety, on the ACH Network?*

Once fully implemented, the rules will allow for faster account validation – either through a prenote or a Micro-Entry – and live entries. This will improve the public's perception of the network, especially employees whose payroll ACH direct deposits will begin sooner. Similarly, reducing the deadline for an ODFI to report NOC information to its Originator from two banking days to one banking day will improve the efficacy of the NOC process. While APA is concerned that classifying a first failure as a Class 1 violation could lead to some surprise penalties for Originators, taken as a whole, APA believes the proposed rules will strengthen the ACH network.

3. *What does your organization think would be the overall impact of the proposal, taken in its entirety, on your organization?*

Payroll professionals, payroll service providers, and the employees they pay will benefit from the faster prenote timeline. Having a faster validation of the account will be reassuring to employers and the ability to initiate entries earlier will mean that there is less of a chance an employee will receive a paper check before direct deposit transactions may commence.

4. *Taken in its entirety, does the proposal offer sufficient value to organizations and consumers that use the ACH Network?*

Yes. APA believes that the rule modifications will be very helpful for payroll professionals and employees paid by ACH direct deposit.

7. *Overall, does your organization support the proposal related to Prenotifications included in this RFC?*

Yes. For reasons stated earlier, APA strongly supports the proposed rules pertaining to Prenotifications.

8. *If you answered Yes to Question 7, are there any specific portions of the Prenotification proposal that you do not support?*

Members of APA's Electronic Payments Committee did not find anything objectionable in the proposed rules for Prenotifications.

10. *As an Originator or ODFI, is the lack of response a deterrent to using prenotes?*

Yes. Both the lack of a response and the three-day waiting period serve as deterrents to using prenotes.

11. *As an Originator or ODFI, would this proposal lead to greater use of Prenotifications by your organization or customers?*

Yes. Members of APA's Electronic Payments Committee believe that more employers will use Prenotifications if they know that they will receive an answer to the prenote within approximately 24 hours and that once the bank account information is confirmed, entries may be made.

21. *Does your organization support the proposal related to NOCs?*

Generally, yes. APA believes that increased use of the NOC process will help Nacha achieve the goal of improving the data within the ACH network.

22. *If you answered Yes to Question 21, are there any specific portions of the NOC proposal that you do not support?*

APA is concerned that the classification of a first offense as a Class 1 rules violation could lead to some Originators receiving unexpected fines. APA suggests a strong messaging campaign announcing the new rules for prenotes and NOCs and a transition period during which warnings are issued before actual fines are assessed.

27. *Does your organization support the proposed effective date of March 18, 2022 for the proposal?*

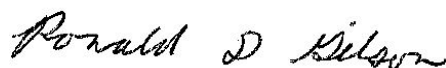
Yes. Arranging all of the rules to begin at the same time is helpful from a compliance standpoint. From a payroll processing perspective any technological needs will be minimal, so additional time for software development is not needed to comply with the proposed rules.

Conclusion

The APA supports the proposed rules and believes that they will achieve the goals of improving account information in the ACH network.

If you have any questions, please contact Curtis Tatum, whose contact information is provided below.

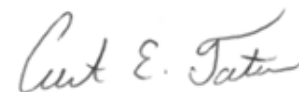
Sincerely,



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