**ACH FAQ**

**What is ACH?**

ACH stands for Automated Clearing House. The ACH system is an US electronic payment network used to transfer funds between bank accounts.

**How is the ACH system used?**

ACH is a payment method that allows merchants to send and receive payments electronically. ACH can be for both debit and credit transactions. A debit transaction deducts payments from a customer’s bank account and automatically transfers the funds to the merchant’s account. ACH credits are used for sending money to bank accounts.

**What types of transactions can be processed through the ACH network?**

ACH gives you the ability to accept payments online, take checks by phone, or to directly debit or credit bank accounts on a one-time or recurring basis.

**What types of companies qualify for ACH merchant accounts?**

Both standard risk and high risk merchants in all categories are welcome to apply for an account. Minimum monthly processing volume of $50,000 is required to qualify for an account.

**What are benefits of accepting ACH echecks on my website?**

More than 30% of internet merchants already offer echecks as a payment option at checkout. The reason is simple. The more ways customers have to buy from you, the more sales you make. Echecks gives you a way to capture more sales from buyers who do not have cards, are maxed out on cards or simply want to pay you through a bank account.

**Can ACH be used to accept checks by phone?**

Yes. Customers appreciate the convenience and ease of paying with an echeck by phone.

**What are the benefits of ACH for recurring billing?**

ACH is particularly beneficial for recurring billing. Once established, bank accounts seldom change. Recurring payments continue on a regular basis without the need to update customer information, creating a dependable recurring revenue stream for merchants.

**How do merchants submit Transactions for processing?**

Transactions can be submitted for processing in 3 ways. For transactions entered online, an API is used. Orders taken manually can be sent using a virtual terminal. FTP batch file uploads to a secure site can also be used to submit transactions. .

**Check 21 FAQ**

**What is Check 21?**

Check 21 offers merchants an alternative to ACH processing. The difference between ACH and Check 21 is way the transactions clear on the bank end. Check 21 clears echecks through bank-to-bank image transfer rather than through the ACH network.

**Is the user experience the same with Check 21 as with ACH?**

Yes. The customer opts to pay with an echeck and provides bank routing and account numbers. The funds are automatically debited from the customer’s bank account and deposited to the merchant’s account.

**What are the 2 ways for clearing Check 21 transactions?**

First, you can clear the transactions directly through your business bank account. Secondly, you can clear through the processor’s account. The decision on which to use depends on the specifics of your business.

**What are the benefits of Check 21 through business accounts?**

Clearing echecks directly through a business account is an excellent solution if you do not anticipate many returned transactions due to non-sufficient funds (NSF) or chargebacks. Accounts are set up fast, with a minimum of paperwork required. Rates are substantially lower than ACH for web based or MOTO transactions. There are no reserves on the account

If you expect many returned items, consider clearing through a processor account instead.

**What is a Check 21 processor account?**

Clearing transactions through the processor is a good solution if you anticipate many returned transactions due to non-sufficient funds (NSF) or chargebacks. The transactions clear through the processor’s account rather than your bank account, which protects your business account. The processor deposits the cleared funds to your bank account.

**What are the advantages of Check 21 over ACH?**

Check 21 transactions clear quicker meaning you get your money faster. Check 21 is not subject to restrictive ACH rules which mandate chargebacks stay under 1%. It is a good solution both for merchants that have very few returns as well as those with higher return rates.

**How is Check 21 different than bank drafts?**

Some merchants think Check 21 today is the same as banks drafts used to be. Bank drafts got a bad reputation when unscrupulous businesses falsely created substitute checks to fraudulently debit funds from unsuspecting consumers.

These days, dedicated Check 21 processors electronically create substitute checks, also known as image replacement documents (IRD), which clear through bank-to-bank image transfer. Substitute checks are recognized as legal banking instruments. The creation of substitute checks is authorized under the Check Clearing for the 21st Century Act.

**What types of merchants use Check 21?**

Merchants across all industry categories successfully use Check 21 to process payments. Valuable for high risk merchants, the technology is also used for online bill payment as well as insurance, mortgage, brokerages, property management and a wide variety of standard risk businesses.

**How do merchants establish a Check 21 account?**

For merchants clearing transactions through their own business bank, the application process is extremely simple, with little paperwork required. Accounts are set up quickly, usually within 2 business days. There are no reserves.

For merchants clearing through a processor account, the application process is similar to an ACH account. You submit an application and due diligence documents including Articles of Incorporation, 2 months business bank statements, driver’s license and voided check for the account where funds will be deposited.

**General Questions on Electronic Checks (echecks)**

**What is an electronic check?**

An electronic check is payment method where money is transferred electronically from a buyer’s bank account and automatically settled to the seller’s bank account.

**What are the main benefits of echecks?**

Echecks give you another way to accept payments from buyers. You capture sales from customers that don’t have cards, are maxed out on cards, or who simply prefer to pay you via a direct debit from a bank account.

**How are electronic checks processed?**

There are 2 ways to process electronic checks. First, electronic checks can be cleared through the ACH network. Secondly, electronic checks can be cleared using Check 21 bank-to-bank transfer technology. The user experience is the same.

**Is electronic check processing a new service?**

Electronic checks have been used as a payment option for more than 40 years with a proven record for safety and security. All types of businesses offer electronic checks to increase sales, improve cash flow, and give customers a convenient method of making payments.

**Can Internet and MOTO (mail order/telephone) merchants accept echecks?**

Yes. Electronic checks can be offered as payment option for all types of merchants.

**Will electronic checks save merchants money?**

Yes. Echecks processing rates are lower than card processing fees. Echecks help merchants reduce operating expenses and increase cash flow.

**How quickly will the merchant receive settlement of funds?**

Settlement of funds depends upon the type of electronic check processing.. For Check 21 electronic checks, settlement can be as quickly as next business day. For ACH processing settlement is within 3-5 business days.

**What training will be needed for customer service agents?**

No special training is needed. Electronic checks are accepted in the same way as credit cards. The only difference is that bank routing and account numbers are entered rather than credit card information.

**Can echecks be used for international charges?**

Electronic checks are used to collect payments from US buyers. Merchants can be located in the US or internationally. If you have customers located outside the US, you can set up an account to accept local bank transfers from customers located in many countries throughout the world. Information available upon request.

**Can consumers "chargeback" purchases like they can do with credit cards?**

Contingent liability for chargebacks is lower for electronic check transactions than with credit cards. With card transactions a consumer has 6 months (180 days) to charge back a transaction. For ACH electronic check transactions, a consumer has 60 days from purchase date to chargeback. Check 21 electronic check transaction chargeback period is 40 days. Business to business transactions have a 3 day chargeback period for ACH transactions.

**Where will an Internet check transaction appear on the consumer’s bank statement?**

For electronic checks processing with Check 21, a complete description of the transaction is included in the area where checks are listed. For ACH electronic check processing, the transaction appears as a line item in the same area as payments such as direct payroll deposits and ATM transactions, are listed.

**Is this process regulated and safe for consumers?**

Companies that process payments electronically must adhere to government-mandated guidelines. The electronic process is governed under Regulation E, which governs all electronic processing, including ATM and card transactions. ACH electronic checks are governed by NACHA rules. Check 21 electronic checks are governed by UCC and long-established check regulations.

**How is a rejected transaction handled?**

Merchants have full online reporting and can track the details of all transactions. Rejected transactions can clearly be seen in the reporting details. The report contains all the information necessary to identify the returns so that you can decide whether to resubmit the transaction or contact the consumer directly for follow-up.