

# ACH Micro-Entries and Prenotes - Account Validation Methods Quick Reference Guide

## NACHA OPERATING RULES – MICRO-ENTRIES AND PRENOTIFICATIONS (PRENOTES)

### ACCOUNT VALIDATION METHODS

This information is intended to assist you, as the Originator of ACH entries, in compliance with NACHA Rules regarding ACH usage. For complete guidance, please refer to the NACHA Rules: <https://www.nacha.org/rules/>

Micro-Entries and Prenotes are ACH based **payee account validation methods**.

- Originators can choose to use either or both, depending on what they determine is best for their business.
- Micro-Entries and Prenotes are distinct processes and not interchangeable.
- Each function is slightly different, and each type has unique formatting requirements to ensure its proper identification as an **account validation tool**.

### MICRO-ENTRIES:

A Micro-Entry is a *credit Entry*, or a combination of *credit and debit Entries* used by an Originator to verify a Receiver's account.

- Like Prenotes, Micro-Entries are an ACH-based **account validation method**.
  - often referred to as “test transactions” or “test deposits”
- Unlike Prenotes, Micro-Entries are “live” credit and/or debit transactions that move funds in and out of the Receiver's account.
  - specific action by the Receiver is required to complete the account validation process.

#### 1. Dollar Limits on Micro-Entries

An Originator may originate one or more Micro-Entries to a Receiver's account **prior** to initiating future credit or debit Entries.

- Each **credit** Micro-Entry must be in an amount less than \$1.00.

#### 2. Requirement for Simultaneous Transmission of Credit and Debit Micro-Entries

An Originator may choose to transmit credit Micro-Entries only, without offsetting debit Micro-Entries. However, an Originator is prohibited from transmitting debit Micro-Entries only.

- Micro-Entries must not result in a net debit to the Receiver's account.
- Debit Micro-Entries must be transmitted simultaneously with one or more credit Micro-Entries.
- The aggregate value of all Micro-Entries must be zero or result in a net credit to the Receiver's account.

#### 3. Waiting Period Following Micro-Entries; Receiver Validation of Micro-Entries

- An Originator that has sent Micro-Entries to a Receiver's account may not initiate future Entries until the verification process has been completed.
  - the expectation is the Receiver validates receipt of Micro-Entries with the Originator.
- If the Originator does not receive validation from Receiver, the Originator is not permitted to originate any future entries.
- The Originator is also prohibited from originating future entries simultaneously with Micro-Entries.

#### 4. Authorization of Micro-Entries

As with any other ACH credit or debit entry, the Originator must obtain the Receiver's authorization to transmit Micro-Entries to the Receiver's account.

- The minimum authorization requirements for Micro-Entries are based upon:



**6. Receipt of Micro-Entry Returns**

- Like other ACH entries, Micro-Entries may be returned for any valid reason, and the sending bank will need to forward returned Micro-Entries to the Originator for action.

**7. Improperly Formatted/Improperly Initiated Micro-Entries**

- A receiving bank can return any improperly initiated Micro-Entry and may choose to submit Micro-Entry rule violations to NACHA's rules enforcement process.

**8. Originator Requirement to Use Commercially Reasonable Fraud Detection Standards for Micro-Entries**

As of March 16, 2023, an Originator using Micro-Entries for account validation is **required** to conduct commercially reasonable fraud detection.

- Must include a process to monitor forward and return volumes of Micro-Entries to minimize the incidence of fraud schemes that make use of Micro-Entries.
- Establish a baseline of normal Micro-Entry activity.
- Micro-Entry return rates are in addition to and distinct from overall return rate threshold monitoring.
  - Entries returned as unauthorized could be an indication of attempted fraud.

**PRENOTIFICATIONS (PRENOTES):**

A prenote is a **Non-Monetary** entry transmitted through the ACH Network by an Originator to a receiving bank.

- A prenote conveys the same information that will be carried on subsequent entries, except for the dollar amount, transaction code, and any addenda records.
- Prenotes allow the receiving bank to **verify the accuracy of account numbers** prior to receiving a live entry.

**1. Transaction Codes for prenote entries are:**

TC	Description	TC	Description	TC	Description	TC	Description
23	DDA credit	33	Savings credit	43	General Ledger credit	53	Loan Account credit
28	DDA debit	38	Savings debit	48	General Ledger debit		

**2. Addenda Records for prenotes**

- The NACHA Rules do not require addenda records be included with prenotes even though addenda records may be transmitted with a subsequent "live" entry.

**3. Returned Prenotes/Notifications of Change**

- Any response to a prenote, either from the ACH Operator (Federal Reserve) or the receiving bank, is transmitted to the sending bank and made available to the Originator in the form of a return or Notification of Change (NOC).