

Prenotification Entries: Reduction in Waiting Period for Live Entries

In the past, Originators have had to wait six Banking Days before transmitting “live” entries following a Prenote. However, in today’s banking environment, that length of waiting time often appears excessive, making the use of a Prenote ineffective for many Originators. Responding to the financial industry’s support for shortening that period, the Rule will make the waiting period three banking days. This means that if an Originating Depository Financial Institution (ODFI) does not receive a Return Entry or a Notification of Change (NOC) in response to a Prenote, the Originator is free to originate new “live” entries more quickly after the Prenote than previously allowed. The shortening of the timeframe for a Prenote could be the first step toward account validation for the ACH Network.

Shortening the Live Entry Waiting Period After Prenotification

ODFI, Originator

Impact for ODFIs

- Understand the deadlines for receiving a Return Entry or NOC in response to a Prenote. If the ODFI receives one of these by the opening of business on the second banking day following the settlement date of the Prenotification (that is, a timely return of a NOC), the Originator should not be permitted to transmit subsequent entries to the Receiver’s account until it has remedied the reason for the return or made the correction requested by the NOC.
- Apply new waiting time to ODFI self-originations, such as in the cases of mortgages or car loans, allowing faster “live” entry transmission.

Impact for Originators

- Upon transmission of a Prenote, wait three banking days before originating “live” entries.
- Maintain the Originator’s obligation to act on return entries and NOCs before originating subsequent “live” entries after a Prenotification. If a return or NOC is transmitted to the Originator’s ODFI in a timely fashion (by the opening of business on the second banking day after the settlement date of the Prenote), the Originator must rectify that situation before originating new entries.
 - If the Originator’s ODFI receives an untimely NOC in response to a Prenote (after the second banking day deadline), the Originator must make the requested correction within six banking days or prior to initiating a subsequent entry to the Receiver’s account, whichever is later.
- Revise ODFI’s or Originator’s agreements, policies or procedures to accommodate the reduced waiting time for entries following Prenotes.

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- Revises Article Two, Subsection 2.6.2 (Six Banking Days’ Delay; Return Entries and Notifications of Change) by modifying the text and title to reduce the aforementioned waiting period.
- Revises Article Two, Subsection 2.11.1 (ODFI and Originator Action on Notification of Change (NOC)) by adding a new bullet, (n), that requires an Originator to take action if it receives a timely NOC related to a Prenotification Entry.
- Prenotification (“Prenote”) is defined as a non-dollar Entry— a message, for instance— that is transmitted through the ACH Network by an Originator to a Receiving Depository Financial Institution(RDFI).