

The Facts About ACH Funding

The purpose of this document is to provide information to help you better understand the factors that impact availability of funds for transactions that you process through GMS.

GMS Goals and Methodology

GMS has two primary goals when it comes to processing your payments. The first is to ensure we offer competitive pricing. One of the primary ways we accomplish this is by minimizing risk, one of the major factors in determining rates.

The second goal is to minimize your overall costs. Since the number of transactions is the primary driver in your total cost, GMS works to process payments in a timely fashion through as few transactions as possible. The chief method of accomplishing this is by ensuring that the ACH (Automated Clearing House) files sent to the bank are structured to combine all debit transactions for a single originator together, all credit transactions for the originator together, and send one total debit and one total credit transaction (if possible). GMS competitors often skip this merging step and originators will see multiple transactions post to their bank account. These numerous transactions are unnecessary and increase your costs.

ACH versus Credit Cards

Although there are many advantages to using the ACH Network as opposed to credit card gateways for processing payments, including lower processing costs, there are some drawbacks. Credit cards are processed using a real time system. This means that as soon as the credit card is run the user can identify if the transaction has been successful or not, allowing for immediate availability of those funds. The ACH Network uses a batch and forward system, which is a slower process. NACHA (National ACH Association) and the Electronic Fund Transfer Act (Regulation E) govern the time limits and deadlines for ACH transactions.

ACH Process Overview

Payments, or transactions, being processed by the ACH Network go through many different stages before the money is considered mature or collected. First, GMS processes the transactions and sends them to the bank every evening. The bank that receives our file is the originating bank of each transaction, or the ODFI (Originating Depository Financial Institution). The ODFI sends these files to the ACH Operator, who then takes the file, splits up all the transactions by the routing numbers and sends it to each Receiving Depository Financial Institution (RDFI)—in this case, your customer's bank. Under NACHA ACH rules, the RDFI now has two business days to accept or return the transaction.

Returns

Transactions can be returned for a multitude of reasons including insufficient funds, account closed, etc. The RDFI routes returns to the ACH Operator, the ODFI and back to GMS. Once we receive the return you are notified. The entire return process can take up to 60 business days, however, once a transaction has been out for five business days it can no longer return for insufficient funds or account closed and is considered settled or mature.

Funding

GMS credits your account with the funds as soon as they settle, thus eliminating the need to charge you for additional return transactions. If GMS had credited you with funds that subsequently were returned, an additional transaction (with associated fees) would have been required.

Have more questions about ACH processing or funding? Call 800-947-3156.