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What is ACH?

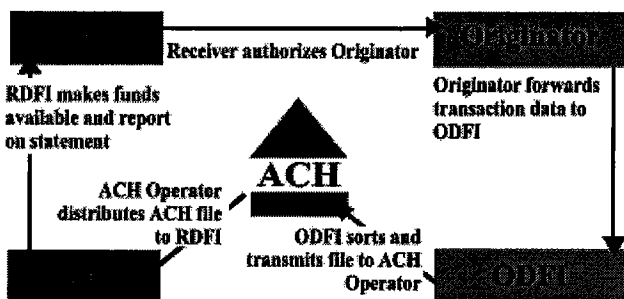
The Automated Clearing House (ACH) Network

The **ACH Network** is a highly reliable and efficient nationwide batch-oriented electronic funds transfer system governed by the NACHA OPERATING RULES which provide for the interbank clearing of electronic payments for participating depository financial institutions. The Federal Reserve and Electronic Payments Network act as ACH Operators, central clearing facilities through which financial institutions transmit or receive ACH entries.

ACH payments include:

- Direct Deposit of payroll, Social Security and other government benefits, and tax refunds;
- Direct Payment of consumer bills such as mortgages, loans, utility bills and insurance premiums;
- Business-to-business payments;
- E-checks;
- E-commerce payments;
- Federal, state and local tax payments.

The number of ACH payments originated by financial institutions increased to 8.05 billion in 2002, up 13.6 percent from 2001. These payments were valued at \$21.7 trillion. Including payments originated by the Federal government, there were a total of 8.94 billion ACH payments in 2002 worth more than \$24.4 trillion.



Originator

Any individual, corporation or other entity that initiates entries into the Automated Clearing House Network

Originating Depository Financial Institution (ODFI)

A participating financial institution that originates ACH entries at the request of and by (ODFI) agreement with it's customers. ODFI's must abide by the provisions of the *NACHA Operating Rules and Guidelines*

Receiving Depository Financial Institution

Any financial institution qualified to receive ACH entries that agrees to abide by the *NACHA Operating Rules and Guidelines*

Receiver

An individual, corporation or other entity who has authorized an Originator to initiate a credit

or debit entry to a transaction account held at an RDFI.

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