



National Payroll Reporting Consortium

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July 14, 2021

Maribel Bondoc, Manager, Network Rules
Nacha
2550 Wasser Terrace, Suite 400
Herndon, Virginia 20171

Re: Request for Information Early Funds Availability

Dear Ms. Bondoc:

The NPRC appreciates the opportunity to provide comments in response to Nacha's Request for Information seeking industry comment and feedback on whether a Rules proposal should be developed to adjust the allocation of risk when RDFIs make funds from ACH credits available early, before the settlement date of the ACH credit. The National Payroll Reporting Consortium (NPRC) is a non-profit trade association whose member organizations provide payroll processing and related services to nearly two million U.S. employers, representing over 36% of the private sector workforce. Payroll service providers have long served an important role in our nation's tax collection system as a conduit between employers and government authorities.

We recognize there is a nascent/growing trend by FI's and Fintech's to post funds early in response to consumer demands and to gain market share. While this helps FI's from a competitive standpoint as well as their customers with their cash flow, there are some unintended consequences that impact payroll processors:

1. Timing of deposits varies institution to institution causing confusion for employees and misunderstandings from the business that the payroll processor is responsible for the discrepancy in timing.
2. Employees become accustomed to receiving funds early and if there is a delay in a file, and the funds are posted on the settlement date, the employee believes the funds are late. This causes complaints to the business and the payroll processor.
3. There is currently no recourse to retrieve funds and prevent losses if a reversal fails as the result of an item being posted early.

While we don't recommend a rule change to stop early funds availability, we do think a rule proposal should be developed in order to hold FI's liable if they choose to post early, in order to address the reversal risk that is created.

Industry stakeholder questions:

• *What are the benefits of early availability?*

As mentioned above there are competitive and customer advantages to posting early. As more and more FI's are posting on receipt, it becomes a competitive disadvantage to not post early. This was seen during the recent release of federal stimulus payments and customer dissatisfaction over why some FI's posted early while others waited.

*ADP ★ Alliance Payroll ★ ApexHCM ★ Asure Software ★ Ceridian ★ CheckWriters
Gusto ★ Heartland Payroll Solutions ★ Intuit ★ iSolved HCM ★ Paychex ★ Paycom
Paycor ★ Paylocity ★ PPI Business Services ★ PrimePay ★ Symmetry Software ★ UKG*



•*How frequently do the scenarios occur? Are there other similar scenarios?*

As there is no reporting back to the originator on when items are actually posted there is no way to determine the frequency of these scenarios, but based on current trends it is assumed this practice will continue to grow along with reversal risks.

•*Do the existing Rules fairly balance risks of early funds availability between origination and receipt as it exists prior to the settlement date?*

No. The creation of the R62 return code (Return of Erroneous or Reversing Debit) as a way to reduce the originator's risk has not helped as the RDFI can still dishonor this return if the funds aren't available.

•*Should the Rules support the ability or provide an opportunity for an ODFI to recover funds in limited scenarios when an RDFI has made funds available prior to settlement?*

Yes. We support the option to "Make RDFI liable to the ODFI for the amount of a credit if it made funds available prior to settlement, and the ODFI could have corrected an error or recovered the amount of the credit". This will allow payroll processors to reduce the risk associated with early funds availability in scenarios where it is necessary to reverse the credit.

Thank you again for the opportunity to provide feedback on this important topic. We would be happy to discuss our comments further if it would be helpful.

Sincerely,

A handwritten signature in blue ink, appearing to read "Pete Isberg", is positioned above the typed name.

Pete Isberg
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