

Verify ACH Blocks On All Trust Accounts

What is an ACH? ACH stands for Automated Clearing House. It is a "batch" processing system that handles millions of payments at the end of the day. The network uses two central "clearing houses", The Federal Reserve or The Clearing House, to match and process among many financial institutions. It works great for many day to day activities like direct deposit of your paycheck, paying bills, and making online purchases, just to name a few.



For businesses; however, there are a few drawbacks that should be carefully considered. It allows other companies to have a direct link to your bank account so you have to be on the lookout for unexpected errors and/or withdrawals. Businesses must monitor transactions for possible fraud and it should be noted that businesses have fewer protections than consumer accounts so it could be your responsibility to recover the funds or take the loss. Also, ACH transactions can be reversed, sometimes up to five (5) days later. For these reasons, ACH blocks should be in place on all trust accounts. The last thing you want to see are fraudulent ACH debits being withdrawn from your trust account and/or accepting ACH credits for earnest money or closing funds to close a deal only to find out days later that those ACH funds were reversed leaving you with file shortages.

If you are exploring e-recording and find a need for ACH transactions, it is best to open a separate "recording" account to handle those types of transactions to ensure the safety of your trust account.

If you see any type of unusual credits or debits occurring in your account and/or on your monthly trust account statement you should report that to your bank representative immediately. Once a fraudster realizes there is an open door to your account it can get ugly very quickly leaving you with many hours of clean up and possibly with you footing the bill for shortages if the bank finds you did not do due diligence in keeping your account secure.

NOTE: if you need to utilize ACH, then check with your bank as some can set up specific ACH payees and still keep you protected.



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