

## White Paper

# A True Breakthrough in Bank Account Validation

How Unprecedented Technology is Reducing the Cost and Friction of ACH Transactions

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Online commerce relies on millions of direct deposits and payments conducted through the ACH network every day. While bank account validation services have never been more important, many companies fail to monitor BAV performance, incurring unnecessary risks and costs. This paper details how new data technologies are changing the ACH equation by strategically targeting the most common BAV pain points.

## A View from the High Stakes Marketplace

According to Nacha, which governs the ACH network, Same Day ACH payment volume topped the 1 billion mark in 2024, more than doubling the growth rate from the previous year and representing a total payment value of \$3.2 trillion. Every indication is that those numbers will continue to rise.

One reason is that both consumers and businesses consider ACH payments a comparatively safe and frictionless way to make online transactions. Given high volume demands and instant approval expectations, bank account validation needs to perform as a near seamless experience.

But BAV is often taken for granted. Many companies do not measure or monitor the performance of their account validation services. If they did, they would see that while success rates may be high, failure rates remain expensive. Each invalidated transaction represents a direct cost as well as downstream expenses, workflow disruption, and potentially unsatisfied customers. Multiply that by the annual volume of online commerce and the value of more efficient bank account validation quickly adds up.

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## Unlocking the Most Problematic Return Codes

According to Nacha Operating Rules, a return is a credit or debit Entry initiated by the receiving bank or ACH Operator that returns a previously originated credit or debit Entry to the originating bank. If the receiving bank cannot post an ACH Entry, it must be returned to the sender, including funds and a message indicating the reason for the return and directions for any future handling. All ACH return rates are monitored for Nacha compliance. The most common scenarios:

- » Funds are not available in the account to pay debit transaction (NSF)
- » The account number for a transaction is invalid (Administrative)
- » By account-holder request

While Nacha lists 85 different return codes, two codes that can represent the majority of ACH returns for many businesses are:

- » R03 – Unable to locate account or no account
- » R04 – Invalid account number

Often the result of “fat-finger” errors when manually entering routing and account numbers, these R03/R04 codes negate transactions and trigger potentially costly return procedures.

## The Hidden Costs of Processing ACH Returns

Both the initial ACH transaction and the Return notification incur a hard cost to the originator. Although typically measured in cents, they can comprise a significant annual expense to high volume businesses.

When an Invalid code requires the company to reach out to the customer to manually correct the routing and account number, the cost jumps exponentially.

There are also the “soft expenses” to consider. Invalidated transactions create frustrated customers as well as workflow disruptions and lost opportunity for the business. User Experience is a key component to online commerce, and unexpected returns undermine the advantage of ACH transactions.

## Lower Friction Helps Avoid Abandonment

Friction during transactions leads to **\$18 billion** in lost online commerce annually. Real-time account validation helps secure a positive user experience.<sup>1</sup>

- » More than **50%** of retail customers abandon their carts if the checkout process takes longer than 30 seconds.
- » **57%** of B2B buyers do not complete the process since the vendor's checkout flow takes too long.
- » **90%** of customers investigate payment options before purchasing; **48%** of B2B buyers do not complete their purchase since their preferred payment option was not present.
- » **50%** of B2B buyers prefer payment options other than credit cards. This also includes ACH payments.

<sup>1</sup> Sellers Commerce, January 30, 2025

## Account Validation Offers Solutions, but no “Silver Bullet”

In recent years, the Bank Account Validation (BAV) conversation has evolved. It is no longer a compliance conversation alone, but a multi-layered strategy to meet a wide variety of use cases and business needs. The fact is, most companies are leveraging multiple APIs to create a best-in-class workflow that ensures all consumers who want to pay by bank can do so without needless friction.

The lack of a “silver bullet” solution means businesses need to pay more attention to the performance of their BAV services. Today the best-in-class companies are monitoring their Nacha Admin returns and are optimizing their BAV costs and performance.

## Bank Account Validation Options



**CONSORTIUM  
VERIFICATION**



**DATABASE  
VERIFICATION**



**ACH  
PRENOTE**



**MICRO  
DEPOSITS**



**BANK  
LOGIN**



**MANUAL  
VERIFICATION**

## A true breakthrough in Bank Account Validation

Accelitas, a fintech leader in machine learning and predictive analytics, enlisted its data scientists to literally “break the code” in ACH transactions and dramatically streamline the validation process. This patented mathematical model deciphers how U.S. financial institutions format and structure their accounts, allowing

its Ai Validate Bank Data (BD) service to automatically identify and filter invalid bank routing and account number pairs, including the common “fat finger” entry errors.

By eliminating non-valid accounts at the beginning of the payment process, businesses can solve some of the most common reasons for ACH returns, saving significant time and money while improving the customer experience.

## Recognizing the Most Persistent ACH Pain Points

Whether you're processing thousands of payments a day or onboarding new users in seconds, bank account validation is a critical step that can't be ignored. But traditional methods introduce friction, delays, and risk. Ai Validate BD is built to solve these five common pain points.

### Complex Validation Processes

Onboarding can be slow and frustrating when account data isn't accessible or verification is delayed.

### High Operational Costs

Manual or legacy account verification processes create inefficiencies that eat into your bottom line.

### Customer Friction

A complicated authentication flow can erode trust and lead to abandonment or lost conversions.

### Fraud and Errors

Incorrect or mismatched bank details cause failed payments and open the door to fraud.

### Lack of Real-Time Solutions

Outdated systems can't keep up with today's real-time payment expectations.

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## Three Keys to Bank Account Validation (BAV) Success

Ai Validate BD is designed to deliver a more comprehensive BAV solution for today's online businesses, including three distinct advantages:

### Comprehensive Coverage

Ai Validate BD instantly validates 100% of U.S. bank accounts, significantly reducing the most common Nacha return codes (R03 and R04). This real-time, comprehensive coverage ensures fewer payment disruptions, minimizing customer frustration and operational inefficiencies, and directly addressing critical pain points identified by Nacha.

### Superior ROI with Targeted Optimization

By strategically targeting and eliminating common ACH return codes, Ai Validate BD optimizes your resources, reducing both hard costs (manual corrections and transaction fees) and soft costs (customer dissatisfaction and lost opportunities).

### Enhanced Customer Experience

Ai Validate BD leverages predictive analytics and ML-driven scoring to deliver rapid account validation within your existing workflow. By streamlining onboarding and checkout processes, you enhance customer experience, minimize transaction drop-off, and support consumer choice, safeguarding revenue and customer loyalty.

In addition to Ai Validate Bank Data, Accelitas offers Ai Validate BAV, which adds unique data sources tuned for higher value/higher risk ACH transactions, and Ai Validate BAV|FCRA, providing real-time consumer behavioral data that can be used for Adverse Action purposes.

Accelitas is a Nacha Preferred Partner.

## Fast, Accurate, and Trusted Bank Account Validation for Every Sector

Ai Validate BD brings immediate ROI to industries and applications demanding ACH optimization.

### Collections

Collection agencies depend on accurate bank data to maximize payment success. Ai Validate BD verifies accounts instantly, helping agents secure valid payment details during first contact.

- » Higher payment success rates
- » Reduced manual validation and operational costs

### Billers: Utilities, Insurance, Automotive, and More

As more billers move from card payments to ACH, efficient validation is essential. Ai Validate BD supports this transition with a secure, cost-effective approach that reduces drop-off and ensures accurate payments.

- » Cost-effective Bank Account Validation
- » Improved customer onboarding experience

### Fintechs

Fintech platforms face high expectations for speed and security. Ai Validate BD provides fast, reliable bank account validation that reduces onboarding friction and increases user retention.

- » Expanded coverage with real-time response
- » Lower abandonment rates due to seamless integration

### In-Person Financial Services & Storefront Lending

Manual account verification processes increase fraud risk and delay funding decisions. Ai Validate BD delivers real-time validation to ensure account accuracy and stop fraud before loans are issued.

- » Real-time Bank Account Validation
- » Reduced fraud from incorrect or intentionally false account data

### Payroll Providers

Outdated systems create bottlenecks and increase costs for direct deposit setup. Ai Validate BD automates account verification, ensuring timely payroll disbursements and a smoother employee experience.

- » Lower processing costs through automation
- » Faster account setup for new employees

### Payment Processors

Inefficient validation processes lead to increased costs and delayed payments. Ai Validate BD delivers accurate, real-time account checks to reduce overhead and improve payment reliability.

- » Streamlined ACH workflows
- » Reduced validation-related delays and errors

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## About Accelitas

Accelitas<sup>®</sup> is reimagining financial access through the transformative power of data. Our AI-powered predictive analytics and alternative data sources deliver fast, fair, and frictionless ways to help companies achieve business growth and financial inclusion. Powered by the real-time web services of its Accelerated Insight® Platform, the company provides innovative ways to seamlessly screen leads, validate accounts, and accept more creditworthy borrowers. The company is headquartered in Petaluma, Calif.

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