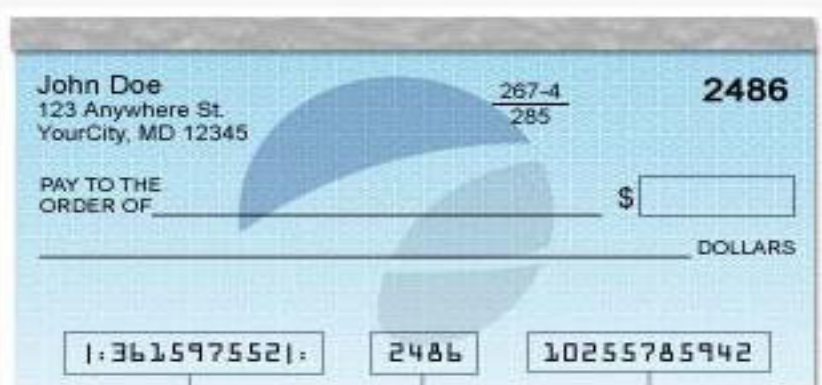


Why ACH?

ACH is Electronic Check

The **Automated Clearing House (ACH)** payment system was designed to allow companies and consumers to reduce or eliminate the use of paper checks to make routine payments. ACH payments are the same as electronic checks. It is important to understand that a check can be electronic check and have nothing to do with the internet.

Submitting an ACH transaction requires submitting the MICR information (the line of characters along the bottom of a check) along with the dollar amount of the check into the ACH system.



Routing Number Check Number Account Number

Types of ACH Transactions

There are several types of electronic check or ACH transactions. As mentioned before, an electronic check is quite often not taken over the internet. Here are some common ACH transaction types:

- **Telephone** – Many people are familiar with paying a bill over the phone by providing the MICR information to a customer service representative.
- **Website** – paying by check online by entering the MICR information from the check onto an online payment form or via an online shopping cart.
- **ARC** – Accounts Receivables Conversion is the process of taking the paper checks mailed into a business or lockbox service and converting the checks to electronic checks by running the checks through a MICR reader and submitting the transactions directly into the ACH network.

Incredible Growth in ACH Transactions

ACH transaction volume is growing very rapidly. In Q4 2004 there were:

- 40.8 million ACH telephone transactions, a **145% increase** from the previous year
- 148.4 million ACH web transactions, a **169% increase** from the previous year
- 73.8 million ACH ARC transactions, an **882% increase** from the previous year

Why Is Payment by Electronic Check Growing?

ACH payment volume is increasing for two main reasons:

- Increasing Revenue for Companies
- Consumer Convenience

Increasing Revenue

Electronic checks increase revenue in several ways:

- Increases a company's revenue
- Improved cash flow
- Reduced fees and costs
- No handling

More companies allow payment by electronic check for all of the reasons listed above. Funds from ACH payments arrive more quickly than paper checks. These early and on-time payments improve cash-flow. The lack of handling significantly lowers fees and reduces hard costs. The result is an increase in revenue. Depending on your transaction volume the revenue increase can be significant. See the Wells Fargo mortgage link below for a great case study.

Consumer Convenience

Businesses considering accepting electronic checks do not have to worry about being ahead of their time. Consumers are already using electronic checks for many transactions (web and telephone and bill payment). Merchants need to understand that their customers are familiar with paying by electronic check and they will use the service if it is offered.

- 71% of individuals have used at least one method of electronic payment
- 48% of individuals have payed via an electronic check or money order
- There will be \$12 billion in direct debit transactions in 2004.
- There are 40 million households using electronic bill payment today

Payment by Electronic check is already established and used by millions of people. Merchants need to start looking to ACH as a great way to save money and service their customers.

LINKS:

1. <http://www.nacha.org/News/Stats/stats4Q2003/4th%20Quarter%202003.pdf>

This page shows ACH stats from Q4 2003 at the NACHA (National Automated Clearing House Association) website.

2. <http://www.nacha.org/wells%20Fargo%20Home%20Mortgage%20-%20From%2081%20Percent%20Paper%20to%2088%20Percent%20E-Payment%20in%20Four%20Years.pdf>

This is a link to a PDF (Adobe Acrobat Reader required) at the NACHA site that details the methods employed by Wells Fargo to convert 88% of the mortgage payments to electronic checks.

Source: NACHA - The Electronic Payments Association
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