



ACH Processing Alternatives

Processing Alternatives - Affirmative offers a variety of ACH processing alternatives, from a manual ACH service bureau (ACHSB) for the smallest merchant with minimal transaction volume, to a 3rd Party ACH Processor (TPP) for merchants with low monthly transaction volume or who might otherwise not qualify with a financial institution, to a direct processing relationship with an FDIC insured Originating Depository Financial Institution (ODFI), providing the most secure and competitive processing rates in the marketplace.

Pricing Considerations - Each ACH Processing alternative carries its own pricing levels based on the level of service and handling they provide. ODFI Direct relationships typically carry the lowest transaction pricing alternative, with higher transaction fees for Third Party Processors, and even higher transaction fees for an ACH Service Bureau.

Pricing Components - Each ACH Processing alternative carries several pricing components, and varying pricing levels for each component. Establishing an ACH Clearing Account with an ACH Processor normally involves the following pricing components: Initial one-time application fee, monthly maintenance and technical support fee, and transaction fees for both submissions and returns. Transaction fees are volume based; clients with lower monthly transaction volumes will pay higher transaction fees, and clients with higher monthly transaction volumes will pay lower transaction fees.

ODFI Direct - Qualified clients are placed with an FDIC insured ODFI, and will establish an ACH Clearing Account for electronic payments settlement. Qualifications are as follows:

- Application Process - Applicants must complete and provide all documents and materials required by the ODFI.
- Business experience & longevity - Only businesses in operation for more than one (1) year will be considered.
- Credit History - Applicants must provide financial and trade references, and successfully pass a credit history review.
- Financial Wherewithal - Applicants must demonstrate profitability. Each Applicant must provide a full year's financial statement, certified by an Officer of the legal entity applying, and provide income tax returns for the same period.
- Credit Risk Measures - The ODFI may require and implement certain credit risk measures, which may include one or more of the following; account reserve (deposit), rolling reserve, funds hold period, and Applicant's personal guarantee(s).
- Minimum ACH Transaction Volume - Applicants must be reasonably expected to generate approximately 1,000 transactions (submissions and returns) monthly.

Other ODFI Direct Benefits:

- Direct ACH Settlement accounts with an ODFI are FDIC insured.
- ODFI normally offers Account Holders immediate credit for the total ACH file, but may require a settlement funds holding period based on a credit review and underwriting requirements.
- Account Holders have access to online banking, are able to review credits and returns in real-time.

- Account Holders can transfer funds to other Operating Accounts via ACH transfer.
- Account Holders can consolidate returns, electronically re-presenting NSF's and other Uncollected items.
- Account Holders have direct access to an ODFI for disputed transactions (ex: late returns and or duplicate returns), accelerating the solution and increasing overall customer service levels.

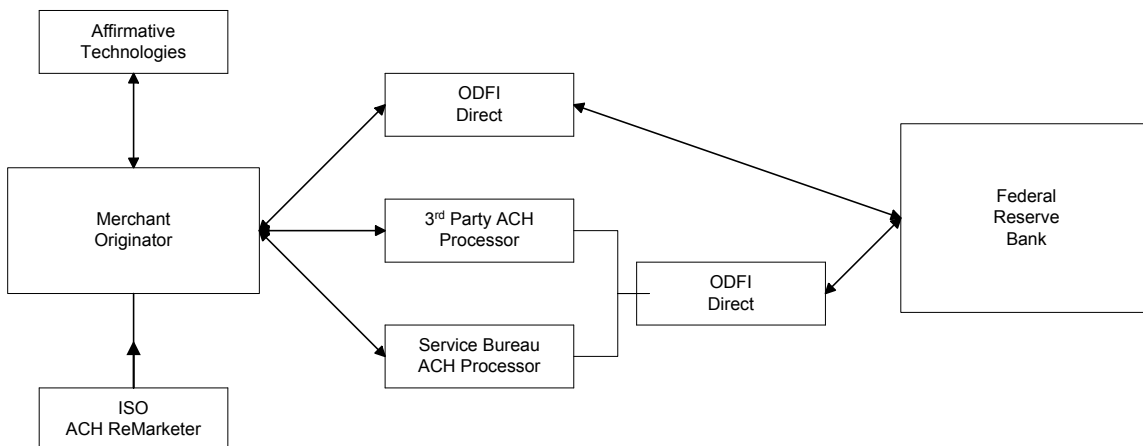
Third Party Processor (TPP) – Clients not qualifying for an ODFI Direct relationship will be placed with an Affirmative TPP. Transaction processing fees are higher than an ODFI Direct relationship.

- Application Process – Applicants must complete and provide all documents and materials required by the TPP.
- Credit Underwriting – Only businesses with positive credit history will be considered.
- Credit Risk Measures – The TPP will require certain credit risk measures, which may include one or more of the following; multi-day funding hold period, account reserve (deposit), rolling reserve, and also may require an Applicant's personal guarantee(s).

ACH Service Bureau (ACHSB) – Applicants whose monthly ACH transaction volume is low (typically under 500 transaction a month), or want to outsource the complete process, will be placed with an Affirmative ACHSB. Transaction processing fees are higher than an ODFI Direct and/or a TPP relationship.

- Application Process – Each Applicant must complete and provide all documents and materials required by the ACHSB.
- Credit Underwriting – Only businesses with positive credit history will be considered.
- Credit Risk Measures – The TPP will require certain credit risk measures, which may include one or more of the following; multi-day funding hold period, account reserve (deposit), rolling reserve, and also may require an Applicant's personal guarantee(s).

ACH Processing Flows



Prohibited Transactions – Applicants who intend to process electronic payment transactions for or on behalf of certain businesses and/or industries will **not** be approved. Those businesses/industries include but are not limited to the following:

- Adult Entertainment
- Internet Gaming
- Telemarketing activities
- Bankruptcy Attorneys
- Credit Restoration/Credit Repair Services
- Lotteries or Raffles
- Business Opportunity solicitations requiring pre-payment
- Prepaid Credit Card solicitations requiring pre-payment
- Businesses located outside the U.S.

Client/Account Holder Termination – Once established, Account Holder relationships may be discontinued by any ACH Processor for the following reasons:

- It becomes apparent that the Account Holder provided false information during the application process, or after application approval.
- Account Holder is habitually overdrawn, and its ACH Clearing Account is in a negative balance (Typically three times or more within a 60 day period).
- ACH Processor receives multiple calls from consumers claiming “fraud.”
- Account Holder’s return ratios exceed prescribed tolerance levels as established by National Automated Clearing Association (NACHA) and/or the ACH Processor as follows:
 - TEL transaction returns may not exceed 2.5% of all TEL transactions
 - R10 transactions, *no consumer authorization obtained*, may not exceed 1.5% of all transactions submitted
 - R07 transactions, *prior consumer authorization revoked*, may not exceed 1.5% of all transactions submitted
- ACH Processor is informed by NACHA or Receiving Depository Financial Institutions (RDFIs), of multiple consumer complaints.
- Account Holder is unable to produce upon request consumer’s written (or similarly authenticated) authorizations for electronic payment transactions.

All application requirements and conditions for approval are subject to change.

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