



Internet based application for NSF check entry, on-line merchant and agent reporting, specifically designed for NSF Check Recovery entities, allowing them to restrictively access current NSF check information on-line, enter NSF check information, analyze check data, and manage the entire recovery progress.

NSF checks are entered manually or a data file is imported into Affirmative's application. Affirmative Technologies' applications also support MICR line only Check Data Readers and Check Imagers that gather MICR line information, creating the data file for subsequent processing. The file is processed through the settlement bank and ACH Network, automatically debiting consumer's accounts and crediting the Merchant's account for the face value of the NSF check and the checkwriter fee (or portion thereof) to the recovery entity.

What merchants are looking for are increased collection rates; better, faster information on returns; and a cost effective alternative for collecting low-dollar checks that will help reduce overall NSF check write-offs.

NSF Check Recovery Made Easy

The benefits of electronically resubmitting NSF checks are numerous, here are just a few:

Collection Ratios Up To 85%: NSF Check recovery collection ratios have exceeded 85%, based on age of check when processed electronically, in some cases, more than double those submitted manually. Electronic checks are processed ahead of paper checks--jumping to the front of the check queue, clearing ahead of checks written days earlier.

Recovery Odds Increase 33%: Paper checks may only be submitted twice (the original deposit and one redeposit). Electronic representation allows a third submission, significantly enhancing chances of collection.

More Presentments: Paper checks may be presented a total of two times (the initial deposit and one re-presentment). Electronic re-presentment allows a third submission. The third time is the charm, because tests show that on average, the third re-presentment collects an additional 25% to 50% of the remaining outstanding NSF Checks.

First Claim To Available Funds: Electronic transactions usually get first claim to any cash in an account. Banks routinely post electronic items to consumer's accounts before they post paper checks.

Lower Processing Costs: Electronically processing NSF checks through our software is so efficient; an entry level Collector can process thousands of checks each week.

Eliminate Bank NSF Return Fees: Banks charge businesses NSF return fees of \$5 to \$20 per returned paper check. There are no return fees for ACH electronic transactions on NSF returns, only minimal electronic transaction processing fees.

Timing is Everything: Re-presentation timing can be critical to collection efforts. For example, if re-presentments are timed to hit an account after payday--on the 1st or 15th of the month or on a Friday, collection ratios increase as check writer's accounts typically have higher account balances.

Faster Notification: Presenting a paper check manually, and settling the transaction, may take 7-10 days or more. When re-presenting NSF checks electronically, the time is reduced to just 24-48 hours, resulting in better collection rates.

No Accounting Nightmare: Automatic posting of settlements matches paid checks and lists those that didn't clear for immediate follow up.

NSF~~✕~~CHECKPROCESSING™ provides for:

- Secured access to an Internet entry and processing site
- Multiple entry option modes and entry formats
 - Manual
 - Check Reader
 - Check Imager
 - Uploading data file
- Multiple staff data entry points
- Validates NSF Check RCK rules against returned check information before submission, qualifying checks as eligible for processing.
- Automatically moves transaction through the recovery process based on date, event, and specific ACH re-presentation strategy, i.e. timing submissions.
- Tracking returned checks by multiple merchants
- Automatically read "returns" and Notice Of Change (NOCs) into data tables and sets the transaction status to trigger the next event.
- Automatically tracks recovered revenue, sets up and releases merchant settlements.
- Sets up sales commissions and merchant revenue sharing for electronic payment.
- Creates numerous reports for administration and distribution of merchant account status information.
- Export report data in "text format" for entry into other accounting packages or statistical analysis software.
- Displays the next action once recovery re-presentments are exhausted.
- Disaster Recovery - Application and data are backed up nightly.

Item Processing Conditions

To be **eligible** to be transmitted as a re-presented check (RCK) entry, an item must:

- Be in an amount less than \$2,500
- Indicate on the face of the item that it was returned for insufficient or uncollected funds
- Must have a pre-printed check serial number on the face of the physical check
- Be dated less than 180 days from the date the entry is transmitted to the RDFI
- Be drawn on a consumer account

- Must have been previously presented (a) no more than twice in paper form, if the entry is an initial re-presented check entry; or (b) no more than once in paper form and no more than once as a re-presentment check entry, if the entry is a reinitiated re-presentment check entry
- Be an item within the meaning of Revised Article 4 of the Uniform Commercial Code (1990 Official Text)
- Be a negotiable demand draft drawn on or payable through or at a participating DFI, (Depository Financial Institution), other than a Federal Reserve Bank or Federal Home Loan Bank.

Items that are **ineligible** for transmission as re-presented check entries include, but are not limited to:

- Non-cash items
- Drafts drawn on the Treasury of the United States, a Federal Reserve Bank, or a Federal Home Loan Bank
- Drafts drawn on a state or local government that are not payable through, or at, a Participating Depository Financial Institution
- United States Postal Service money orders
- Items paid in a medium other than United States currency
- Items which are third-party items (e.g., the payee endorses a check over to a third party who also endorses the check)
- Demand drafts and third-party drafts that do not contain the signature of the Receiver (e.g., the drawer does not sign a check but authorizes another party to debit his account via a draft).

Check Scanning Technology - Check Data and Image Capture

Check Imaging – Archival – Retrieval. Efficient, cost effective equipment and access to in-house images captured through a scanner are an optional function for NSF Check Collection Manager users. Essential for payment processing companies and merchants who want to capture the full benefit of Electronic Check Conversion, it offers merchants and payment processors simple, secure, automated storage and retrieval of on-line check images.

Check Scanning Technology. Check Scanning equipment is designed to capture check data required for electronic payment processing via the ACH Network, i.e., Bank Routing Number (ABA), Account Number, Check Number, and in the case of an RCK item (NSF Returned Check), the dollar amount. Check Scanners are designed for two purposes; to capture the check data (aka/MICR Line data which stands for Magnetic Ink Character Recognition), and capture an image if required. They function as follows:

- **Check Data Readers** read the MICR line data only.
 - Check Data Readers are used to reduce data entry errors, and are typically stand-alone machines connected to a PC keyboard wedge or Point-Of-Sale terminal. They simply read the MICR information as if it was keyed in. No memory, or storage requirements.
- **Check Imagers** capture an image of the check in addition to reading the MICR line data.
 - Check Imagers capture an image of the check for storage and subsequent retrieval. Check Imagers also read the MICR line data at the bottom of the

check, and either reads it on to a Point-Of-Sale terminal or PC, in addition to capturing an image for archival purposes.

- **Check Scanning Equipment** varies in size and price based on the functionality, memory, data storage and check volume required.
 - Check Scanners are typically desktop models ranging from single-feed low-speed Check Data Readers, to bin-fed high-speed models (60 checks per minute)

Depending on the check processing application, imaging the check may not be necessary, although retaining an image of the paper check with Internet access is more efficient than storing the physical check. Currently, only Lockbox and Accounts Receivable Conversion applications require imaging. Memory and Storage requirements depend mostly on check payment volume.

Also, it is important to note that most check scanners connect to PCs, enabling the download of information into a file. For small volume merchants may choose to dial into an online data storage center and upload the images for storage.

Affirmative Technologies' software supports MICR line only Check Data Readers and Check Imagers that gather MICR line information, creating the data file for subsequent processing via the ACH Network.

The Highest Security Available

SSL 128-bit data encryption. Affirmative's Internet Application employs SSL, 128 bit encrypted transmissions, meeting the highest standard of the government's current requirements. 128-bit data encryption is a secure coding method in which transactions require a 128-bit encryption key to unlock the block cipher and read the data. The block cipher method applies a cryptographic key to a block of data as a group, rather than breaking the data into smaller sizes. This makes the data virtually impervious to attack.

Secure Sockets Layer (SSL). A security protocol that sits just below protocols such as HTTP and uses the lower-level TCP/IP to allow SSL-enabled PCs and servers to authenticate to each other. SSL creates single-session key exchange; using public and private-key data encryption (usually 128-bit) from RSA Data Security for enciphering and deciphering encrypted SSL transmissions.

ACH Transaction Clearing Account

An integral part of beginning to utilize electronic payment processing in your business is partnering up with the right ODFI-ACH Network Processor. There are two choices; signing up with a third party processor, or directly with the source that processes your transactions through the Federal Reserve System—the Originating Depository Financial Institution (ODFI).

Not all ODFI's are created equal—many still use antiquated software that is cumbersome requiring lots of manual intervention, too technical in nature, and offer poor reporting abilities. That's where we come in.

We are associated with multiple ODFIs; all uniquely qualified to process your ACH transactions. Affirmative's technical expertise in this area has led to significant

improvements to the process and each of our ODFIs have ACH Departments with dedicated personnel that deliver exceptional customer service.

There are distinct advantages in dealing directly with an ODFI-ACH Processor.

First, having direct contact with the ACH Processor eliminates the third party processor middleman and shortens lines of communication; resulting in better customer service.

Second, based on your Company's credit qualifications, our ODFIs aren't going to hold your funds for extended periods. You will get full credit for transactions daily, and returns will be debited against the account on the same basis. **You will have full next day access to the funds in your account, less anticipated returns.** Once funds have settled, you have the option of setting up an interest bearing sweep account with the bank, or creating an ACH transaction debiting the ACH Clearing Account and crediting your operating account.

Third, and most importantly, your ACH Clearing Account funds are insured by the FDIC through a nationally chartered financial institution.

Other Considerations

You should be aware that the process of becoming a 3rd Party NSF Check Processor is a significant undertaking. It requires meeting the qualifications necessary for establishing an ACH Clearing Account with an Affirmative financial Institution (ODFI) that is required to process ACH settlements through the Federal Reserve Bank.

NSF Check Processing is a business onto itself and therefore may require one or more of the following;

1. Initial investment in operating capital
2. Financial Institution (ODFI) approval, which means gathering and submitting financial data and business plans
3. A sufficient infrastructure to manage day to day on-going administrative and operational responsibilities
4. A certain level of technical and accounting expertise
5. Commitment to marketing the product in an honest and forthright manner, and most importantly, a long-term dedication to the electronic payments industry

In addition, the business may carry known and unknown risks such as;

1. Governmental regulation at the local, state, or national level that severely inhibits your ability to operate the service within legal parameters
2. An increasingly competitive environment reducing operating margins
3. Increased costs relating to marketing the service to retail merchants
4. Fraud exposure from merchants or employees
5. The inability to process NSF checks due to the loss and unavailability of a replacement ACH Processor-ODFI

As with all financial undertakings, the decision to establish a new business should be taken very seriously, and not before fully researching and analyzing the risks involved.

Affirmative Technologies, Inc. is an associate member of EastPay, Payment Resource One, and the Alabama ACH Association, all Regional Payment Associations affiliated with the National Automated Clearing House Association (NACHA). See Affirmative's multiple service offerings in NACHA's buyers guide under the Resources Tab at www.nacha.org.

Affirmative Websites:

www.nsfcheckprocessing.com
www.affirmativeusa.com
www.achprocessor.com
www.achnow.com

Affirmative employs a team of software developers, technical support professionals, and electronic payment industry experts who are available to assist in creating unique solutions to any business regardless of size or payment intake complexity.

Contact us today for more information.

**Visit Affirmative Technologies, Inc. at www.affirmativeusa.com or call 727-772-9881 ext.225
Mailing Address: 35111 U.S. Highway 19 North, Suite 200, Palm Harbor, FL 34684-1907**

NSF CHECK RECOVERY PROCESS FLOW

Payment Intake

1. Merchants deposit consumer checks to Local Depository Banks.
2. Local Depository Banks process checks, receiving NSF check returns from the Federal Reserve Bank several days later.
3. Local Depository Banks forward NSF check returns to a central ACH processing point, i.e.: third party NSF Check Processors.

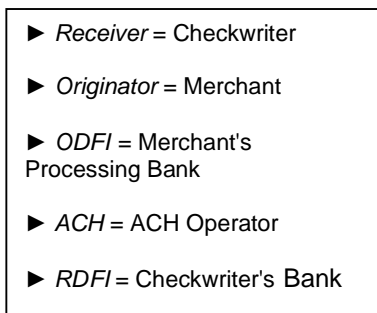
Payment Processing

4. NSF Check Processors receive returned checks and manually enter, feed through an automated check reader, or check imager, returned item MICR line data into Affirmative's Internet ACH Processing Software program **NSF Check Processing.com**.
5. Two payment transactions are created; a transaction to recover the face value of the returned item, and, a transaction to collect a returned item fee from the Check Writer as allowed by State law.
6. Payment transactions are batched in a file and transmitted to an Originating Depository Financial Institution (ODFI) at the end of the day (b).
7. **NSF Check Processing.com** automatically resubmits returned items up to maximum submission limits. Non-qualifying checks are forwarded for Secondary Collections at the Merchant's direction.
8. Merchants/Recovery Entity access reporting and database of transactions being processed within the **NSF Check Processing.com** application.
9. Merchants/Recovery Entity retains a copy or image of the returned check for seven (7) years.

Payment Settlement

10. The ODFI transmits payment transactions to the Federal Reserve Bank who processes the transactions overnight, debiting the Consumer's bank account (RDFI) and crediting the merchant's account.
11. If the payment transaction does not clear it is sent back to the ODFI as a returned item.
12. The merchant receives returned items electronically from the ODFI through **NSF Check Processing.com**, and the returned item is resubmitted a second or third time as necessary.
13. The completed electronic payment transaction is evidenced as settled on both the consumer's and merchant's bank statement.

Flow



(b) ACH Network Payment

