

NEWS RELEASE

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Ten Billion ACH Payments in 2003, NACHA Announces

More Than One Billion E-Checks

Seattle, Washington, March 22, 2004 – More than 10 billion automated clearing house (ACH) payments were made in 2003, according to statistics released today by NACHA – The Electronic Payments Association at its PAYMENTS 2004 conference.

“The results that NACHA announces today are proof of consumers’ increasing use of electronic payments,” said Leonard J. Heckwolf, Chairman of NACHA and Senior Vice President of Bank One’s Consumer Payments Solutions. “The greater reliance on electronic payments benefits financial institutions of all types and sizes, as well as their customers.”

NACHA reported a grand total of 10.017 billion ACH payments in 2003 valued at \$27.4 trillion, representing increases of 12.0 percent and 12.3 percent, respectively, over 2002. The number of ACH payments originated by commercial financial institutions increased to 9.09 billion in 2003, up 12.9 percent from 2002. These payments were valued at \$24.6 trillion. The Federal government originated a total of 924 million ACH payments in 2003, up 3.5 percent, and valued at \$2.8 trillion.

ACH payments include Direct Deposit of payroll, Social Security benefits and tax refunds, Direct Payment of consumer bills, e-checks, business-to-business payments, and Federal tax payments.

For the first time, the number of debits originated by commercial financial institutions exceeded the number of credits, largely due to the rapid growth of the five consumer ACH debit applications (e-checks) implemented since 1998. Collectively, more than 1.3 billion e-check payments were made, a 154 percent increase over 2002. The five applications are:

- **Internet-initiated ACH debit (WEB):** American consumers initiated 689 million ACH debits on the Internet, tripling in volume for the second consecutive year. NACHA estimates that 80 percent of these payments were to pay bills, 18 percent were to transfer funds, and 1 percent were to make purchases. The average amount of a Web e-check was \$291.
- **Accounts receivable (ARC) check conversion:** More than 220 million consumer check remittances were converted into ACH debits, an 825 percent increase over 2002. The average amount of an ARC payment was \$296.
- **Point-of-purchase (POP) check conversion:** Approximately 204 million consumer checks were converted into ACH debits at retail locations, up 22 percent. The average amount was \$70.
- **Telephone-initiated ACH debits (TEL):** Americans made 170 million e-check payments over the telephone in 2003, up 151 percent. The average amount was \$374.
- **Re-presented check (RCK):** Retailers made 31.3 million RCK transactions in 2003, up 20.1 percent. The average dollar amount was \$155. A re-presented check entry is a

consumer NSF check that is re-presented for payment electronically rather than through the paper check collection system.

Combined, these five ACH e-check applications accounted for 13.1 percent of all ACH payments in 2003. The WEB, ARC, and TEL e-check applications are primarily used in consumer bill payment. Credit card issuers, mortgage lenders, and telecommunications companies have been among the leading adopters of these payments.

Direct Deposit and Direct Payment

The number of Direct Deposits in 2003 increased by 4.2 percent to more than 4.0 billion payments. Direct Deposit is used for payroll, expense and travel reimbursement, pension and annuity payments, interest payments, retirement and mutual fund distributions, Social Security, Veterans and other government benefits, and tax refunds. The average dollar amount of a Direct Deposit was \$1,234. NACHA estimates that more than 65 percent of the private-sector workforce in the U.S. use Direct Deposit to get paid.

The number of Direct Payments in 2003 remained steady at 2.8 billion. A Direct Payment is a pre-authorized debit that uses the ACH Network, and is typically used for recurring consumer bills such as mortgages, loans, utilities, investments and charitable contributions. The average dollar value of a Direct Payment increased by 14 percent to \$826.

Financial EDI and B2B Payments

Financial electronic data interchange (EDI) on the ACH Network grew by 19.5 percent in 2003. In 2003 there were 630 million EDI-formatted remittance records exchanged over the ACH Network.

Financial EDI is the electronic exchange of payments, payment-related information or financial-related documents in standard formats between business partners. With financial EDI, the remittance information accompanies the payment; that is, the money and the data stay together.

The number of financial EDI payments was 181.5 million in 2003, up 11.5 percent over 2002. The total number of business-to-business ACH payments grew to 1.7 billion in 2003, up 8.4 percent over 2002. These payments include payments among trading partners, intra-company cash management transfers, government vendor payments, as well as business-to-government tax withholdings. The dollar value of these payments was \$19.7 trillion, accounting for 71.7 percent of all dollars moving via the ACH Network.

| | ACH Volume (in millions) | | |
|--------------------|---------------------------------|-------------|-------------------|
| | <u>2003</u> | <u>2002</u> | <u>% Increase</u> |
| Commercial | | | |
| Inter-bank | 6,607 | 5,780 | 14.3 |
| On-U.S. | 2,485 | 2,270 | 9.5 |
| Commercial Total | 9,092 | 8,050 | 12.9 |
| Federal Government | 924 | 893 | 3.5 |
| Total | 10,017 | 8,944 | 12.0 |

About NACHA - The Electronic Payments Association

NACHA is the leading organization in developing electronic solutions to improve the payments system. NACHA represents more than 12,000 financial institutions through direct memberships and a network of regional payments associations, and 650 organizations through its industry councils. NACHA develops operating rules and business practices for the Automated Clearing House (ACH) Network and for electronic payments in the areas of Internet commerce, electronic bill and invoice presentment and payment (EBPP, EIPP), e-checks, financial electronic data interchange (EDI), international payments, and electronic benefits transfer (EBT). Visit NACHA on the Internet at www.nacha.org.

**Call ServiceFirst Solutions with questions about E-checks
(818) 665-4804 or email sales@svfirst.com.**