

**NACHA-The Electronic Payments Association
Sources and Uses of NACHA ACH Network Administration Fees
For Calendar Year 2007**

Effective January 1, 2007 NACHA began assessing financial institutions a fee of \$.0001 on all inter-bank ACH transactions, covering originated and received debits and credits and non-dollar transactions. NACHA also assessed every financial institution using the ACH Network an annual fee of \$42. The annual fee is collected on a monthly basis, at \$3.50 per month for 2007. The fee is collected on behalf of NACHA by the public and private ACH Operators, as part of their monthly billing process. NACHA uses these fees to cover costs incurred in six major program areas as an Administrator of the ACH Network.

ACH Network Administrative Services	2007 audited	% of Costs
per entry fee	\$0.0001	
annual fee	\$42.00	
Sources		
ACH Network Administration Fees-per entry	\$ 2,829,391	64.1%
ACH Network Administration Fees-annual fee	644,434	14.6%
Total ACH Network Administration Fees	\$ 3,473,825	79%
Uses		
Rulemaking	\$ 1,154,461	26.2%
Risk Management	757,992	17.2%
Rules Enforcement, (net cost)	310,924	7.0%
ACH Network Advocacy	367,249	8.3%
Administration of National Marketing Campaign	282,102	6.4%
Network Development (net cost)	1,540,985	34.9%
	\$ 4,413,713	100%
Deficit	\$ (939,888)	-21%
Accumulated Deficit (Note 2)	\$ (939,888)	

Note 1-NACHA-The Electronic Payments Association is a 501 (c) 6 organization of which the sources and uses represent a portion of the organization's overall financial performance and fulfillment of its mission statement.

Note 2-NACHA will provide its ACH Network Administrative services to the industry "at cost". In 2007, the Board has designated that the budgetary deficit realized by NACHA resulting from the administration fees will be covered by operating Unrestricted Net Assets until September, 2009. Beginning October 2009, when the ACH Operators can support a six decimal billing system any budgetary surplus or deficit realized by NACHA resulting from the administration fees will be carried over to the next year in determining the at-cost fee amounts.

Additional information about the major program areas of ACH Network Administrative Services

Rulemaking

NACHA provides the legal foundation for the ACH Network through the development and maintenance of the NACHA Operating Rules. Rules and Guidelines are established for all participants in the ACH system and ensure that the Network infrastructure, applications, rules and enforcement are consistent with processing payments in a secure, reliable and efficient manner. Examples of activity costs in the ACH rulemaking process include work on Rules Proposals, RFC and balloting, Rules Interpretation and phone calls answering rules questions, Operations Bulletins, Rules and Op Committee and Workgroups.

Risk Management

NACHA develops and implements a comprehensive risk management framework for the Network that cover requirements prior to origination, ongoing origination requirements, and ACH Operator risk mitigation services. NACHA also works to create and implement a robust set of risk management tools to reduce risk and improve ACH quality that are consistent with the risk management framework. Examples of activity costs in risk management include Network monitoring and reporting services, ODFI risk counseling, Risk Management Advisory Group, and Participant Alert Services.

Rules Enforcement

NACHA provides enforcement of the NACHA Operating Rules through the National System of Fines. Examples of activity costs included in the rules enforcement include ODFIs/RDFIs counseling, work with regulators and law enforcement agencies and System of Fines. The revenue received from the Fines is netted against the costs in this program.

ACH Network Advocacy

NACHA promotes and consistently communicates the value and best uses of the ACH Network to depository financial institutions and their customers through advocacy, education and research. NACHA broadly engages key external audiences to communicate the value proposition of the Network and ACH Payments. Examples of activity costs included in ACH Network Communications, Press Releases, Public Relations, Rules education plans, such as Back Office Conversion in 2007, ACH Network Statistics

Administration of the National Marketing Campaign

NACHA actively promotes the value and use of electronic payments through advertising, television and radio promotion. Additionally, NACHA coordinates the annual Direct Deposit and Direct Payment (May) national campaign, highlighting the benefits of Direct Deposit for payroll, pension, and Social Security payments. Example of activity costs include the administration of the National Consumer Campaign, the www.electronicpayments.org website and development of ACH Network educational marketing tools.

Network Development

NACHA develops new payment application through an open and disciplined process to measure the impact on all Network participants, including originators and receivers and is responsive to the priorities of depository financial institutions. Example activity costs would include business case and pilot proposal development for new ACH applications. In 2007, NACHA was actively working on three pilots (DCT, E-BIDS and SVP) in addition to development of framework proposals for business-to-business payments and international payments. Revenue received from independent vendor pilot support is netted against the costs in this program. Additional information regarding NACHA pilot activities:

DCT <http://ecc.nacha.org/projects/projects.html#point>

E-Bids www.nacha.org/ebids/

SVP www.securevaultpayments.org