

Your Guide to *Understanding Fees*





Everything About Merchant Account Fees

One of the most confusing aspects of obtaining a merchant account is understanding the various rates and fees involved, but it's a crucial step when you're comparing various merchant account providers and offerings. Knowledge is power. Knowing these fees upfront will give you a tremendous advantage as you choose a merchant account provider.

As with any business decision, fees are just one part of the equation. You should also consider other factors such as ease of setup, ease of use, customer service, professional attitude, integrity and reputation as part of the overall package.

You may not encounter all of the fees listed below in your search for a merchant account provider, but these are some of the most common.

Discount Rate

The discount rate will usually make up the majority of your credit card processing costs, and therefore is the most important fee of all. The discount rate is simply a percentage charged on each transaction. It is usually lower if you are swiping, dipping or tapping an EMV card, and higher if you are keying them in for MOTO, internet or other card-not-present transactions. For example, if you are set up with a discount rate of 2.5%, and you charge a customer \$100, the transaction fee would be \$2.50.

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Interchange

Interchange is the fee assessed by the customer's credit card bank on every transaction. Interchange accounts for the majority of the costs to process credit card transactions. These rates are set by each card brand and are adjusted on regular basis. Interchange fees apply to all processors.

Transaction Fees

This fee is charged to process each and every transaction, regardless of whether the transaction is approved or declined. Transaction fees vary depending on the type of processing involved and your agreement with your provider.

PIN Debit Transaction Fees

These fees only apply if you accept PIN debit cards and have a terminal equipped with an internal or external PIN pad.



Address Verification Service (AVS) Fee

This fee applies to card-not-present transactions. AVS confirms that the address information provided by the customer is the same as the information on file with the card-issuing bank, reducing the risk that the transaction is fraudulent.

Batch Fee

Charged to settle your daily batch of transactions and transfer the funds into your bank account. If you do not have any transactions on a particular day, you are not charged this fee.

Monthly Statement/Support/Service Fee

A fixed fee charged by your processor regardless of the number of transactions you have. It covers your monthly statement, as well as any customer service and support you may require on your account.

Internet Gateway Fee

This fee applies only if you are using an internet payment gateway. The gateway fee is charged monthly and billed directly by the gateway provider. There may be an additional per-transaction fee charged by the gateway provider in addition to any transaction fees charged by your merchant account provider.

Voice Authorization Fee

This fee is only charged when you call in your transaction to a toll-free number for authorization. Most merchants do not use this service, but it can be useful if your terminal or software isn't working.

Monthly Minimum Fee

A monthly minimum fee is not so much a fee as it is a minimum amount of fees that your merchant account provider requires you to generate each month. If your monthly fees are less than this minimum, then you are charged the difference. For example, if you have \$20 in discount fees and transaction fees, and your account has a \$25 monthly minimum on it, you will still pay the \$25.

Surcharge, MID-Qualified or Non-Qualified Fees

These fees may appear under any of these three names, but they are all essentially the same. They all are related to an additional discount fee that some cards are charged, and only apply to certain card types. They do not apply to the majority of consumer cards, but they do apply to some business, corporate, rewards and international cards.

Application/Setup Fee

A fee charged for setting up your merchant account. This fee is less common and most providers do not charge it.



Reprogramming Fee

Sometimes charged by merchant providers, terminal vendors or software vendors to reprogram a piece of existing equipment or software.

Chargeback/Retrieval Fee

Chargeback and retrieval fees come into play when a customer or card-issuing bank disputes a transaction. Common reasons for such a dispute include the customer not recognizing the charge, dissatisfaction with the product or service provided or a customer's claim that someone fraudulently used their card. A merchant will have a chance to refute the dispute by providing a written response and documentation. The merchant account provider handles the resolution of the chargeback and charges a fee for this service.

Annual Fee

Charged annually by your processor for your merchant account.

Cancellation/Termination Fee

Almost all merchant accounts have some sort of cancellation or termination fee. There is a significant cost in setting up and maintaining a merchant account for a business, and this fee helps recoup some of the loss should a merchant cancel their contract. However, most providers are willing

to reduce or eliminate this fee should you have unresolved problems or issues. The cancellation or termination fee should be a fixed amount, not a variable fee. Check with your provider as to their specific policy.

Hidden or Junk Fees

Unfortunately, there are plenty of hidden and bogus fees out there. One of the most common is an extremely low "teaser" rate that goes up after a few months of processing. This may be triggered by a condition buried in your contract that allows the provider to raise the discount rate at will or when you do not meet certain volume targets. Another tactic is to have a teaser rate that only applies to one specific card type in one specific category. Then charge higher rates on other cards and categories. Junk fees come under a variety of different names, such as file fee, security fee, audit fee, conversion fee, over-limit fee, excessive transactions fees and bill-back fees.

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