UNDERSTANDING YOUR CREDIT CARD PROCESSING

E-BOOK FOR BUSINESS OWNERS

PCBancard

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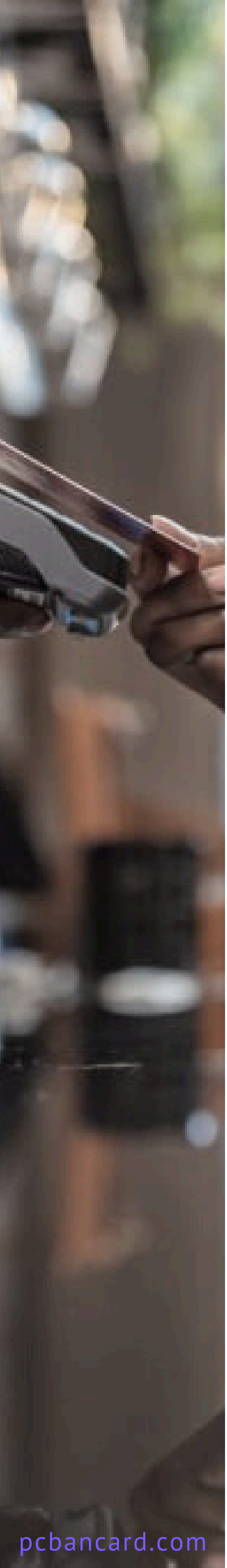
INTRODUCTION

Welcome to the Credit Card Processing eBook by PCBancard—your guide to better understanding credit card processing, your fees, and new solutions and programs now being offered to small business owners.

Here's what this eBook covers:

Our goal is to educate business owners (not keep them in the dark) about how their credit card processing works.

Plus—check out how your small business can give back to a local charity with every transaction.

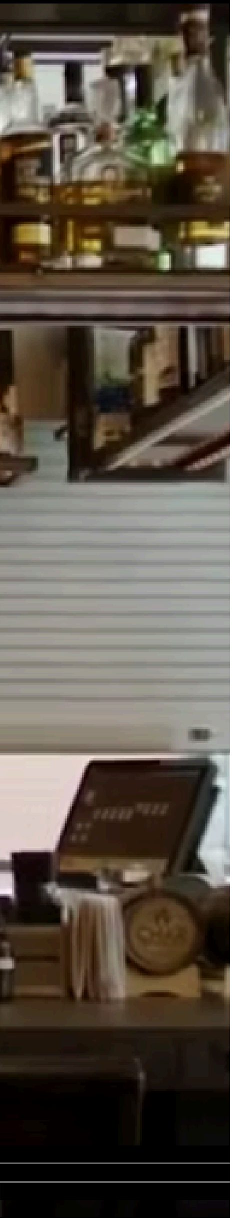


CHAPTER 1

UNDERSTANDING YOUR FEES

Processing fees are usually broken up into these categories:

- Interchange – The rate the card issuing banks charge businesses to accept each card in the market. These rates are published and fluctuate twice per year. Interchange fees are based on the rewards and risk of the specific card. The higher the rewards the consumer receives and the higher risk of the transaction, the higher business owners pay toward these interchange fees to the issuing bank. There is very little anyone can do to lower their interchange fees.
- Card Brand Fees – This is usually shown as "Dues and Assessments". This is the fee that VS/MC/DISC/AMEX charge the business owner for accepting their cards. Usually these Dues and Assessments average roughly .14% - 16%. They also charge other fees that equal a few cents per transaction such as NABU, Kilobyte, etc.
- Processing Fees – The fees that are paid to the processor who is processing the transactions. These are usually known or classified as "discount rates and transaction fees". Based on your relationship, volume processed monthly, risk of chargebacks, and risk of business—these rates and fees can be negotiated.
- Misc Fees – These are usually flat monthly fees such as "on-file fees", "statement fees", or other annual fees. However, there are other miscellaneous fees such as NABU, D&A's, and other fees that come from the card brands that are percentages or per-item fees.



CHAPTER 2

DIFFERENT WAYS TO ACCEPT A TRANSACTION

- Terminal – A physical machine that allows for the acceptance of swiped, chipped, tap-and-go, or keyed transactions. Usually sits on a countertop.
- POS – Point of Sale System. An all-in-one machine for taking orders, controlling inventory, time management, accepting transactions, etc. They usually look like a computer and are used primarily in restaurant or retail locations.
- Virtual Terminal – This is not a “physical terminal”. It is usually a website or app that is opened up and transactions can be manually keyed in. Virtual Terminals (VT’s) give you the ability to invoice clients, set up recurring payments, keep cards on file, and accept payments while in a remote location. VT’s are often seen in gyms, storage facilities, doctor's offices, and other businesses doing recurring billing.
- eCommerce Gateway - eCommerce is usually used for online transactions. An eCommerce gateway is set up through a shopping cart via a web platform where a consumer inputs their own card information via a shopping cart. The gateway connects that shopping cart to the payment processor.
- Mobile Payments - Using a phone or tablet, accept payments straight from that device. Supports tap and go, swiped, chipped, and manually keyed transactions.

CHAPTER 3

DIFFERENT PRICING STRUCTURES

- Interchange Plus Cost (Passthrough) - A billing method in which all network fees and interchange fees are passed on to the merchant. A discount (%) and a transaction fee is added to those fees by the processor for the processing of the transactions. This usually benefits merchants with small transaction sizes and merchants who accept a lot of debit cards. On the statement, these fees should be separated into network fees, interchange fees, and “Discount Rate” (rate above interchange).
- Tiered Pricing - A billing method in which the merchant has 3-4 different tiers. The tiers are: Regulated Debit, Qualified, Mid-Qualified, and Non-Qualified. Each of these tiers has a different set rate. Every time a transaction is run, it will fall into one of these tiers and be charged that specific tier’s rate. Specific cards should fall into specific tiers, but this is subject to the processor. This usually benefits merchants who receive a lot of higher interchange cards. There is a ceiling at which the transaction can be charged (Non-Qualified Rate).
- Flat Rate Processing - A billing method in which the merchant is charged ONE set rate and transaction fee. Very similar to tiered pricing, but just ONE tier. All transactions no matter the risk or rewards given are charged the same rate, which benefits merchants who are accepting cards with higher interchange rates, while overpaying for lower interchange transactions.

CHAPTER 4

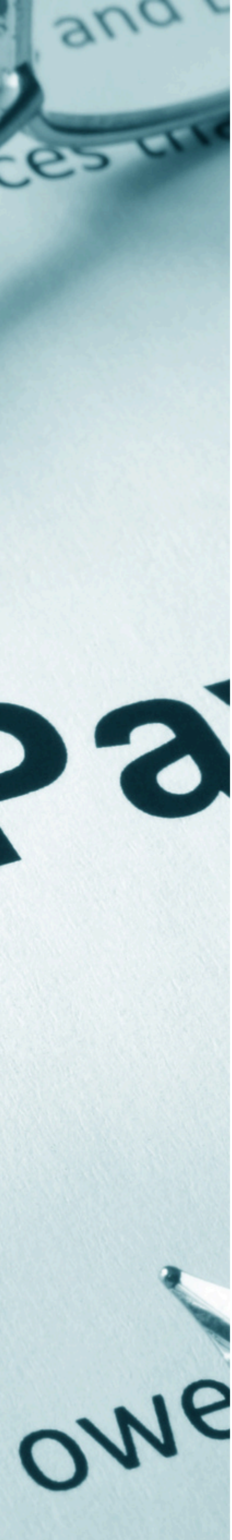
DIFFERENT WAYS TO SAVE OR ELIMINATE YOUR FEES

- Processing Rate Adjusted - As mentioned earlier, you nor your processor have any control over your interchange fees. However, your “processing fees” are negotiable. Depending on your processor and your volume, this “discount rate” and the “transaction fee” can be lowered which should ultimately lower your effective rate (ER = total volume processed / total fees paid).
- Level 2-3 Optimizer - There is one way that interchange fees can be lowered. This is done by lowering the RISK of the transaction. By using a Level 2-3 friendly terminal or virtual terminal, that automatically collects additional information on the transaction, the risk of the transaction goes down. This only affects the interchange rates on Commercial Cards, Corporate Cards, and Purchasing Cards, which are the highest interchange cards on the market. At times, this could save roughly 50% of the interchange fees if using Level 2-3 Processing.
- Surcharging - The ability to ADD a fee to credit card transactions. This fee must not exceed 3%, and it cannot be added to any Debit Card transactions. Surcharging is not allowed in all states. The surcharge is additional revenue your business brings in on each Credit Card transaction and helps offset a portion of your total fees at the end of the month. There is no registration needed to do Surcharging.

- Dual Pricing - A method of implementing a Card price and a Cash price for all products or services sold. A cash total and a card total must be displayed at the time of sale before the customer pays. The Dual Pricing difference between the Cash and Card transactions must not exceed 4%. The % can be deposited daily and a business owner can choose to pay this % at the end of the month or the % can be split from the deposit so the business owner does not pay any fees at the end of the month. This is one of the only ways to eliminate all fees monthly.

DUAL PRICING IS THE ONLY WAY TO ELIMINATE ALL MONTHLY FEES.

- Service Fees - A service fee is a convenience fee that's only for certain types of education and government merchants. A credit card surcharge (sometimes called a checkout fee) is a fee to cover credit card fees associated with a transaction.
- Convenience Fees - In the United States, credit card convenience fees are legal. But they must be a flat fee (ex. $2 per transaction) rather than a percentage of the transaction amount (such as 2% of the total). If you only sell online, you cannot charge a convenience fee. Convenience fees are for merchants that have multiple payment channels. Visa, for example, allows convenience fees if they're for actual convenience in an alternative, non-regular payment channel (such as phone or online orders if the business typically sells in person). Merchants cannot charge a convenience fee solely because the customer is using a card.



CHAPTER 5

HOW TO MONETIZE YOUR PAYABLES

- CPX - A program that allows business owners the opportunity to make money off paying their vendors. Business owners submit their list of payables and that list is run through a VS/MC database to show which of these vendors accept credit/debit cards. A card is then issued so that the business owner can pay the vendors that do accept cards, and collect a portion of the interchange fees received by the processor. Usually, a business owner should expect roughly .20% back in interchange rebates from paying their vendors.
- Plastiq - Pay any vendor no matter how they accept payments. Plastiq allows business owners to leverage the rewards they receive from using their Business, Corporate, and Purchasing Cards along with leveraging “Early Pay Discounts” (when a vendor gives you a discount for paying within 30 days, etc). No matter whether the vendor accepts Cards, ACHs, Wire Transfers, or Checks—the business owner will use their card and Plastiq will transfer that to the vendor's preferred payment method, and the business owner will still claim those rewards and earn those early pay discounts. Usually, this can earn a business owner roughly 7% after the Plastiq percentage to make the payment.

CHAPTER 6

WAYS TO GET YOUR FUNDS FASTER

- PassPort - PassPort is a banking solution that allows business owners to receive their funds from a transaction within 5-10 minutes of accepting the transaction. Business owners can use a virtual debit card or receive a physical debit card to make payables from this account. If they elect to move the money from the PassPort account to any other bank account they choose, they can do so. Business owners can also set up “Employee PassPort Accounts” so they can pay their employees quicker and avoid paying ACH fees.

CHAPTER 7

HOW TO GET ACCESS TO CAPITAL

- Merchant Cash Advances - Get capital based on your future credit card receivables. A business owner could request up to one-month processing volume. (If they process $50,000 a month, they get a $50,000 Cash Advance.) The funds are normally deposited into the business owner's bank account within 4-5 days of submission. The advance is paid back through a percentage of the daily processing—meaning, roughly 15% of each terminal batch is split funded back to the Cash Advance company, and the remainder of the funds are deposited into the business owner's account as normal.
- Merchant Business Loans - This is more of your traditional loan without the waiting, paperwork usually needed, and underwriting criteria. This is generally for businesses looking for $100,000 or more. The money is repaid via a direct ACH daily, weekly, or monthly. This is usually a set amount agreed upon for a specified period of time.

CHAPTER 8

GIFT & LOYALTY PROGRAMS

- Loyalty Programs - Help retain and earn more loyal customers through a custom loyalty program. Whether it is from spending a specific amount of money, earning points, or any other way you want to set it up, loyalty programs help bring customers back.
- Physical Gift Card - Gift cards are a great way to earn additional revenue and keep your customers coming back. 20% of all gift card balances are never redeemed (free money for the business owner). Customers usually spend almost 40% more than what their gift card balance is for (additional revenue). A customer is more prone to visit a business that they have a gift card for than their competitor. You can also have your gift cards customized.
- Digital Gift Cards (GiftYa) - Help your customers find your business easier to purchase gift cards for friends or family. GiftYa’s program allows customers to easily purchase a gift card digitally (without having to be there) and send that gift card to anyone they choose quickly and easily.

CHAPTER 9

CHARITY PROGRAM BENEFITS

- Give Back Program - Merchants have the opportunity to help a local charity of their choosing or help the PCBancard Preferred Charity: The Darren Waller Foundation.
- How it works - A portion of the ‘merchants' processing volume when on the Dual Pricing Program will go to their chosen charity or non-profit. This will not come out of the business owner’s pocket—it’s paid by PCBancard. The business owner will be issued signage letting their customers know that a portion of the difference between the cash and card price will go to help their selected charity.

Thank you for downloading and reading our eBook! Our hope is that business owners feel empowered to choose the best partner for all of their processing solutions. We firmly believe business owners shouldn’t left in the dark when it comes to their processing solutions!

For further assistance and consultation, please don't hesitate to contact us!

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