UNDERSTANDING YOUR CREDIT CARD PROCESSING

E-BOOK FOR BUSINESS OWNERS

PCBancard

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 offered to small business owners, from PCBancard.

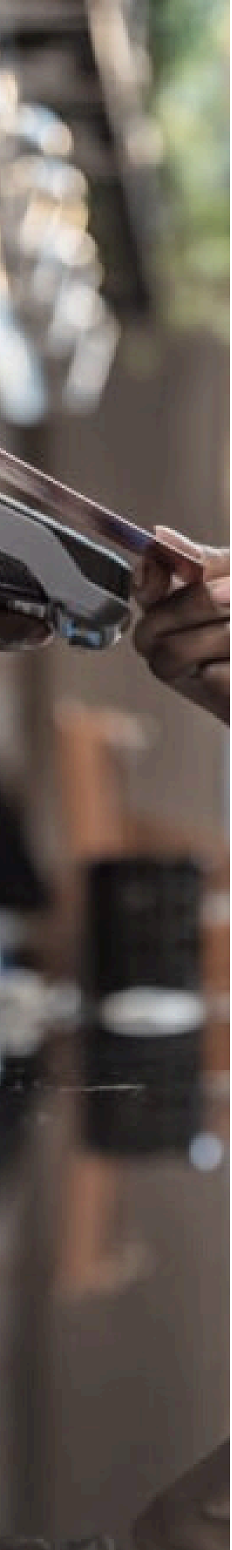
Here's what this eBook covers:

- Ch. 1 Understanding Your Fees
- Ch. 2 Different Pricing Structures
- Ch. 3 Ways to Save or Eliminate Your Fees
- Ch. 4 How to Get Access to Capital
- Ch. 5 Gift and Loyalty Programs
- Ch. 6 Charity Program Benefits

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.

Happy Reading!



CHAPTER 1

UNDERSTANDING YOUR FEES

Processing fees are usually broken up into these categories: interchange, card brand fees, processing fees, and miscellaneous fees. When these fees are combined, merchants typically pay 3% to process cards—although it can be higher. Here's a quick explanation of what these fees mean:

- **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 tiny 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 PRICING STRUCTURES

When processing on a Traditional Processing program (where the merchant pays the monthly fees) there are different ways to “package” these fees, depending on the type of cards a business is taking. You may have heard of terms like these:

- **Interchange Plus Cost (Passthrough)** - A billing method in which all network fees and interchange fees are passed on to the merchant. A discount (percentage) 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 cards with higher interchange rates**. 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. 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—however they will overpay for lower interchange transactions.**

CHAPTER 3

WAYS TO SAVE OR ELIMINATE YOUR FEES

If your fees are going up constantly, you can consider one of these programs:

- **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 Level 3 Processing** - This is only way interchange fees can be lowered, but it only affects the interchange rates on Commercial Cards, Corporate Cards, and Purchasing Cards, (which are the highest interchange cards on the market). 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 could save a business owner 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 difference between the cash and card price must not exceed 4%. Typically, the percentage is split from the deposit so **the business owner does not pay any fees at the end of the month.** For example, selling a product that costs $100 would show a cash price of $100 and card price of $103.99. Whether the customer pays with a cash or card, the merchant gets the full amount deposited into their bank account. **This is one of the only ways to eliminate all fees monthly.**

Note about adding a fee: Below are two types of fees commonly used by merchants to “assist with the cost” of credit card processing fees. Adding a fee is only compliant under these circumstances:

- **Service Fees** - A service fee is a convenience fee that can be added 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 4

HOW TO GET ACCESS TO CAPITAL

Merchants can get access to immediate funds through their processing company, or PCBancard.

- **Merchant Cash Advances** - A way for merchants to get capital based on their 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 Cash 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. These are especially helpful when a business is just getting off the ground, or during a busy season when additional staff or inventory is required.

CHAPTER 5

GIFT & LOYALTY PROGRAMS

Loyalty and Gift Card programs are great add-ons for business owners to keep up with local competition and reward their customers:

- **Loyalty Programs** - Help retain and earn more loyal customers through a custom loyalty program. Whether it's 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). Remember: 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 when purchasing gift cards for friends or family. GiftYa is a text-based giving platform used by thousands of businesses nation-wide, and available to merchants who partner with PCBancard. 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 6

CHARITY PROGRAM BENEFITS

PCBancard gives merchant's the opportunity to "give back" through their credit card processing. When processing on our Dual Pricing Program, PCBancard donates a portion of every swipe to a local charity of the merchant's choosing:

- **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 offered 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 be left in the dark when it comes to their processing solutions.

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