

MERCHANT PROCESSING NEWS



PURPOSE OF THIS NEWSLETTER

It is my desire to both educate and assist business owners on the subject of "merchant services".

WHAT IS A DISCOUNT RATE?

A Discount Rate is a percentage of the total amount of the transaction, including sales tax, etc, which will be deducted daily or at the end of the month. For example, when you "swipe" the credit card through a terminal or cash register system, the rate charged will be 1.79% or similar. This rate is based upon a table of rates and fees referred to as the "Interchange Table". I will be further explaining these rates and fees over the next several newsletters.

A question I recommend you to ask is if your processor charges the Discount Rate on both transactions and refunds.

Note: Not all merchant providers charge the Discount Fee on refunds.

WHAT ARE AUTHORIZATION FEES?

An Authorization Fee, also referred to as a "Transaction Fee" is charged every time the system is accessed by processing a transaction, performing a "batch", processing a refund, etc. This fee can vary but is normally the same for all types. As an example, you may have an added Authorization Fee when you accept a

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What's Inside:

- Purpose of this newsletter.
- What is a Discount Rate?
- What are Authorization Fees?
- What are Rewards Cards?

"Check Card" because this fee is generally higher than on the typical credit card.

WHAT ARE REWARDS CARDS?

In this example we are referring to Visa and MasterCard exclusively. Did you know that over 30% of Visa and MasterCard's have some type of rewards program attached to them?

Simply explained, a "Rewards Card" can be defined as a credit card whose issuing financial institution gives the customer a rebate on the transaction -- such as a gasoline rebate or a percentage of the transaction back on each sale. When selecting a merchant service provider you will want to find out how they classify a Rewards Card.

If you are currently accepting credit cards, please review the most recent statements to see if there is a separate category named or designated "Rewards". If not, those transactions are most likely being "down-graded" -- meaning you are paying a higher rate to accept these cards than you should be.

... I'll have more next month ...

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