



The Montana Small Business Development Center presents:

UNDERSTANDING CREDIT CARD PROCESSING WHAT YOU SHOULD KNOW

The Small Business Webinar Series:

UNDERSTANDING CREDIT CARD PROCESSING

...What You Should Know!!!



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CardConnect

A Fiserv Company

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Stephanie Cummings

Senior Business Advisor - CardConnect

Education

- 1996 – Montana State University – BS Education

Professional History

- 1997 - 2002 - Teacher/Coach
- 2002 - 2007 – Pharmaceutical Representative
- 2006 - 2009 – Business Owner
- 2010 – 2018 – Relationship Manager
- 2018 – present – Senior Business Advisor

Professional Memberships

- Home Builders Association of Great Falls
- Montana Pharmacy Association
- Montana Retail and Restaurant Association
- Montana Veterinary Association



<https://cardconnect.com/>



<https://cardconnect.com/>

What does CardConnect do?

Payment Processing

Software Integration

Gift Marketing

How do I spend my time?

Consulting (60%)

Managing Existing Business (30%)

Manage Association Relationships (10%)

Why do I do this?

Advocate – 100%

MY CUSTOMER PORTFOLIO

INDUSTRY TYPES:

- Automotive
- B2B
- Car Dealerships
- Ecommerce
- Flooring/Window Coverings
- Lodging
- Manufacturing
- Medical/Dental
- Pharmacy
- Restaurant
- Retail
- Tire Dealers
- Veterinary
- Wholesale

PORTFOLIO:

307 Clients

CLIENTS:

AK, AZ, ID, MT, ND, NV,
OR, UT, WA, WY

TODAY'S AGENDA

- Complex Industry
- Card Associations
- True Interchange
- Interchange Optimization
- Banks
- Effective Rate
- What's New
- Final Thoughts



COMPLEX INDUSTRY

How to keep it simple!

- Only Unregulated Financial Industry
- *Business's DON'T Pay Card Associations Directly*
- Lack of Knowledge or Education about our Industry
- *Asking the RIGHT Questions*

If it sounds too good to be true – IT IS!



CARD ASSOCIATIONS

Key Differences

Visa & MasterCard

- Do Not Issue Cards
- Banks – Issue Visa and MasterCard
- All Banks are a member of Visa and MasterCard Associations
- Pay Annual Membership – to be a member
- Approximately 15% of the Fee's Charged on Interchange go to Visa and MasterCard
- Approximately 85% of the Fee's Charged on Interchange go to the Issuing Bank – Large source of **REVENUE** for Banks

CARD ASSOCIATIONS

Key Differences

American Express and Discover

- 100% of the Fee's Charged on Interchange go to American Express and Discover
- Issue Own Cards

How many of you do not accept Amex?

CARD ASSOCIATIONS

Who are the players?

- **Visa (60%)**
- **MasterCard (30%)**
- **American Express (8.5%)**
- **Discover (1.5%)**

**card type used – source – reuters – January 2020*

Card Associations Control Interchange Table

Interchange = Rate at which a card is processed

Ex. Visa CPS Retail – 1.51%

CARD ASSOCIATIONS

PCI Compliance

- **Payment Card Industry (PCI)**

- Payment Card Industry - A council made up of terminal manufacturers, processors, card brands and security experts from the payment industry. This group sets all the standards and practices regarding securing payments, applications and networks.

- **PCI Compliance**

- Major Issuing Banks created PCI (Payment Card Industry) compliance standards to protect personal information and ensure security when transactions are processed. Due to the acute rise in data breaches, hackers and identity theft prevalent, all processors now charge breach insurance or PCI Compliance fees to insure against such a breach, which could result in hundreds of thousands of dollars in damages and fines.

- **Processors**

Required to provide proof to Card Associations that all clients are PCI Compliant and are fined if not, processors then pass that fee on to the client

Processors can and do charge fee's for Non PCI Compliance.

- **Avoid Fee's**
- **Insure your processing SECURE transactions**

TRUE INTERCHANGE

What is it?

Over 700 types of cards issued

- Every April and October Card Associations Review the Table
- Business' do NOT pay Card Associations directly – your processor does
- What a processor is charging YOU and what they are actually paying to the Card Associations CAN BE VERY DIFFERENT!

INTERCHANGE IS NOT NEGOTIABLE

TRUE INTERCHANGE

Basis Points = Financial Term

Basis Points

- 50 Basis Points = .0050%
- Simply moving the decimal point
- Percentages and Basis Points on Statements
 - How many of you understand your monthly statement?

Processing charges ARE Negotiable

It should be based off of Annual Volume

TRUE INTERCHANGE

What affects Interchange Rates?

Type of Business - Retail, Restaurant, Lodging, etc

How Cards are Processed

- Swiped/Inserted/Contactless – Card Present
- Keyed – Card Not Present

Type of Card

- Debit/Check
- Rewards
- Signature Cards
- Corporate

VISA INTERCHANGE

A Visa USA Consumer Check Card Exempt and Regulated Interchange Reimbursement Fees

Rates Effective April 22, 2017

Fee Program	Exempt Visa Check Card	Regulated Visa Check Card
Card Present Transactions		
CPS/Supermarket, Debit	\$0.30	0.05% + \$0.21*
CPS/Retail, Debit	0.80% + \$0.15	0.05% + \$0.21*
CPS/Automated Fuel Dispenser (AFD), Debit	0.80% + \$0.15 (\$0.95 Cap)	0.05% + \$0.21*
CPS/Service Station, Debit	0.80% + \$0.15 (\$0.95 Cap)	0.05% + \$0.21*
CPS/Small Ticket, Debit	1.55% + \$0.04 ¹	0.05% + \$0.21*
CPS/Restaurant, Debit	1.19% + \$0.10	0.05% + \$0.21*

How Complex Is It?

VS CPS RESTAURANT - DEBIT	948	55,663.64	761.45
VS CPS REWARDS 2 - TRADITIONAL-ECOMM/CARD NOT PRESENT/RESTRNT	176	12,691.21	329.31
VS CPS SMALL TICKET - 1227	76	878.43	17.93
VS CPS SMALL TICKET - CK-DURBIN	108	1,259.44	24.84
VS CPS SMALL TICKET - CK-DURBIN FRAUD	7	66.80	1.45
VS CPS SMALL TICKET - DEBIT	58	649.62	12.67
VS EIRF	2	54.40	1.66
VS EIRF - 1220	496	30,626.98	909.29

VS CPS Restaurant – Debit 1.19% + .10

Transactions 948 x .10 = \$94.80

Fee's Charged \$761.45

761.45
 -\$94.80
 \$666.65

$666.65 / \$55,663.64 = .0119$ Basis Points or 1.19%

COMPLEX!

CPS/Restaurant			1.54% + \$0.10
CPS/Account Funding		2.14% + \$0.10	
Electronic Interchange Reimbursement Fee (EIRF) ¹	2.40% + \$0.10	2.30% + \$0.10	

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VS EIRF - 1220	496	30,626.98	909.29

Transactions – 496 x .10 = \$49.60

Fee's Charged \$909.29

909.29
-49.60
 \$859.69

$\$859.69 / \$30,626.98 = .0280$ Basis Points or 2.80%

American Express INTERCHANGE

American Express OptBlue Retail Rate Grid

Code	Message	Description	Rate		Item	Level
500	RETAIL1	Retail Transaction Amount 1 (<\$75.00)	1.60%	+	\$0.10	Q
501	RETAIL2	Retail Transaction Amount 2 (\$75.01 - \$1,000.00)	1.95%	+	\$0.10	M
502	RETAIL3	Retail Transaction Amount 3 (>\$1,000.00)	2.40%	+	\$0.10	N
503	RTL1	Retail Transaction Amount 1 (<\$75.00) Non-U.S.	2.00%	+	\$0.10	N
504	RTL2	Retail Transaction Amount 2 (\$75.01 - \$1,000.00) Non-U.S.	2.35%	+	\$0.10	N
505	RTL3	Retail Transaction Amount 3 (>\$1,000.00) Non-U.S.	2.80%	+	\$0.10	N

American Express Options

Amex ESA - Direct

Amex One Point - Retired

Amex Opt Blue

MasterCard-Visa INTERCHANGE Optimization

cardconnect.

MasterCard + Visa Interchange Optimization

Level II & III

MasterCard	Data Rate I	Data Rate II	Data Rate III
Business Debit	2.65%	2.10%	
Corporate	2.70%	2.50%	1.90%
Purchasing	2.70%	2.50%	1.90%
Fleet	2.70%	2.50%	1.90%
Level 1	2.65%	1.90%	
Level 2	2.80%	2.05%	
Level 3	2.85%	2.10%	
Level 4	2.95%	2.20%	
Level 5	3.00%	2.25%	

Visa	Non-Qualified	Prod 1 CNP	Level II	Level III	BBB
Business Tier 1	2.95%	2.25%	2.05%		
Business Tier 2	2.95%	2.45%	2.05%		
Business Tier 3	2.95%	2.60%	2.05%		
Business Tier 4	2.95%	2.70%	2.20%		
Business Tier 5	2.95%	2.70%	2.20%		
Corporate	2.95%	2.70%	2.50%	1.90%	
Purchasing	2.95%	2.40%	2.50%	1.90%	
Signature Preferred	2.95%	2.40%			2.10%

TRUE INTERCHANGE

Find all the association interchange fees:

- <https://usa.visa.com/dam/VCOM/download/merchants/visa-usa-interchange-reimbursement-fees.pdf>
- <https://www.mastercard.us/en-us/business/overview/support/merchant-interchange-rates.html>
- <https://www.cardfellow.com/american-express-discount-rate/>
- <https://www.discovernetwork.com/interchange>

BANKS

The Role They Play

Banks

- Members of Visa and or MasterCard Associations
- Issue credit/debit cards with Visa or MasterCard logo
- Take the Risk
- Fee's generated from Interchange = Revenue

EFFECTIVE RATE

What is it?

What is your Effective Rate

- Effective Rate is the cost of accepting credit cards
 - $\text{Total Fees} \div \text{Total Volume} = \text{Effective Rate}$
- Be aware of the Industry “lingo” on your statement
 - Could also be called merchant fees

What's New

- Cash Discount
 - Surcharging
 - Convivence Fee
-
- Very Important to be set up correctly and to comply with the card brands regulations

FINAL THOUGHTS

If you don't know...Where & How

Do some quick math

- Figure your Effective Rate – using a merchant statement
 - $\text{Merchant Fees} \div \text{Gross Sales} = \text{Effective Rate}$
 - $\text{Total Fees} \div \text{Total Volume} = \text{Effective Rate}$
- Compare this year to two previous
- Is the % stable, growing or declining in relation to sales?
- Do you know why?
- Find out why
 - Call the card processor and a trusted advisor (such as SBDC)

FINAL THOUGHTS

Asking the Right Questions!

- 1. Do I have to sign a contract?**
- 2. Will I be set up on True Interchange Plus Pricing?**
- 3. Are all processing charges transparent/disclosed?**
- 4. Do you ever increase processing charges?**
- 5. Are you a direct processor or do you resell the services for a direct processor?**
- 6. Can I have the original copy of the paperwork?**
- 7. How many Basis Points on top of Interchange are you charging me?**
- 8. How much is my transaction fee?**
- 9. Is there a monthly fee/statement fee?**
- 10. Will I be charged for Non PCI Compliance?**
- 11. What is PCI Compliance and will you assist me in completing the PCI certification?**
- 12. Do you charge any Junk Fee's? (batch fee, authorize fee, processor fee, acquirer fee, access fee)**
- 13. Are you my account manager and do you provide my customer service?**
- 14. Are you local?**
- 15. Will I need new equipment? Do I have to Lease equipment? If so how much and is your equipment proprietary?**

FINAL THOUGHTS

Key Takeaways

- Interchange is not NEGOTIABLE
- Processing Charges ARE NEGOTIABLE
- YOU DO NOT HAVE TO SIGN A LEASE!!!
- You do not have to sign a contract
- You are the customer!
- Ask the RIGHT Questions
- Do business with people you TRUST!



Questions?

Please contact me...

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