

CREDIT CARD PROCESSING



DO YOU KNOW:

- **WHAT ARE BASIS POINTS?**
- **WHAT IS INTERCHANGE? HOW IS IT DETERMINED?**
- **WHAT IS DISCOUNT?**
- **WHAT IS 100% PASS THROUGH?**

BASIS POINTS

- WHAT ARE 'BASIS POINTS (BPS)'
- BASIS POINT (BPS) REFER TO A COMMON UNIT OF MEASURE FOR INTEREST RATES AND OTHER PERCENTAGES IN FINANCE. ONE BASIS POINT IS EQUAL TO 1/100TH OF 1%, OR 0.01% (0.0001), AND IS USED TO DENOTE THE PERCENTAGE CHANGE IN A FINANCIAL INSTRUMENT. THE RELATIONSHIP BETWEEN PERCENTAGE CHANGES AND BASIS POINTS CAN BE SUMMARIZED AS FOLLOWS: 1% CHANGE = 100 BASIS POINTS, AND 0.01% = 1 BASIS POINT

Basis Points	Percentage Terms
1	0.01%
10	0.1%
50	0.5%
100	1%
1000	10%
10000	100%

Interchange Rate Qualification: An Example



The cardholder makes a \$100 purchase



The merchant processes the transaction and settles the batch



The acquirer submits the settled batch to the card network for payment.



The acquirer subtracts .0925% for the bank's assessment fee and \$0.25 for the processor's fee and deposits \$97.76 into the merchant's account



The issuer charges \$ 100 to the cardholder's account and sends \$98.10 to the acquirer for payment



The card network reviews the transaction and assigns a 1.80% + \$0.10 interchange rate

Fees

<i>Number</i>	<i>Amount</i>	<i>Description</i>	<i>Total</i>
3	1,900.00	DS PSL Retail Rewards @ 1.71 % + \$.10	32.79
1	364.00	DS Mid Submission Level Rewards @ 2.40 % + \$.10	8.84
1	189.60	DS Mid Submission Level PR @ 2.40 % + \$.10	4.65
1	550.00	VS CPS Retail Credit @ 1.51 % + \$.10	8.41
1	174.40	VS Business Standard T1 @ 2.95 % + \$.20	5.34
4	3,560.90	VS EIRF Credit @ 2.30 % + \$.10	82.31
2	500.00	VS CPS Retail Check Debit @ .80 % + \$.15	4.30
6	4,053.80	VS CPS Rewards 1 @ 1.65 % + \$.10	67.51
1	195.00	Visa Infinite Retail @ 2.10 % + \$.10	4.20
6	8,423.00	VS Signature Preferred Retail @ 2.10 % + \$.10	177.49
2	911.20	VS Signature Preferred Standard Non Travel @ 2.95 % + \$.10	27.08
11	1,480.31	VS US Regulated Debit @ .05 % + \$.22	3.17
1	800.00	VS CPS Retail Pp @ 1.15 % + \$.15	9.35
4	1,967.20	VS EIRF Pp @ 1.80 % + \$.20	36.21
1	700.00	MC Corporate Data Rate 1 @ 2.65 % + \$.10	18.65
5	4,588.06	MC Commercial Rate 1 Large Market @ 2.70 % + \$.10	124.38
2	325.00	MC Enhanced Merit III Base @ 1.73 % + \$.10	5.82
2	182.00	MC World Merit I @ 2.05 % + \$.10	3.93
1	1,700.00	MC World Merit III @ 1.77 % + \$.10	30.19
1	300.00	MC World Elite Merit I @ 2.50 % + \$.10	7.60
1	100.00	MC US Cons Regulated POS Debit w/Fraud Adj @ .05 % + \$.22	0.27
1	136.60	AM Healthcare Tier 1 @ 1.55 % + \$.10	2.22
5	2,910.00	AM Healthcare Tier 2 @ 1.85 % + \$.10	54.34
1		MONTHLY SERVICE FEE	8.00
1		TRANSLINK MONTHLY FEE	7.50
1		\$100,000 BREACH COVERAGE MONTHLY FEE	6.95
1		FIXED ACQUIRER NETWORK FEE (FANF)	9.00
1		NON RECEIPT OF PCI VALIDATION	9.95
58		TRANSACTION/NETWORK ACCESS FEE	5.80
6		TRANSACTION/NETWORK ACCESS FEE - AXP	0.60
6	3,046.60	AXP ASSESSMENTS	4.57
5	2,453.60	DISC/PAYPAL ASSESSMENTS	3.19
13	7,895.06	MC ASSESSMENTS	10.50
39	22,615.81	VISA ASSESSMENTS	29.40
		AXP ACCESS FEE	9.14
3	1,240.00	AXP NON-SWIPE FEE	3.72
		AXP SYSTEM PROCESSING FEE	9.14
16		BATCH CLOSE FEE	0.80
5		DISCOVER DATA USAGE/NETWORK FEE	0.11
63	36,011.07	ASSOC KILOBYTE/BASE II FEES	8.46
14		MC NABU/LICENSE/DIGITAL ENABLEMENT FEE	0.53
39		VISA ASSOC APF FEE & CREDIT VOUCHER FEE	0.76
7		VISA DEBIT INTEGRITY FEE	0.70

TOTAL FEES 847.87

Discount	90.03
Fees	847.87
Amount Deducted	937.90



Amount Deducted

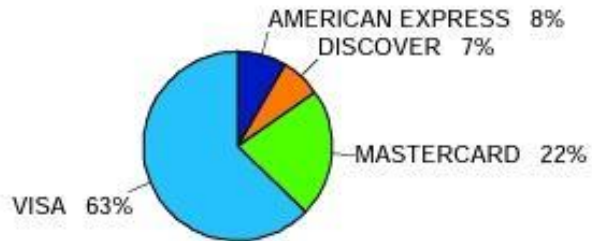
937.90

Plan Summary

Plan Code	Number of Sales	Amount of Sales	Number of Credits	Amount of Credits	Net Sales	Average Ticket	Base P/I	Base Rate	Discount Due
VS	39	22,615.81	0	0.00	22,615.81	579.89	0.000	0.250	56.54
MC	13	7,895.06	0	0.00	7,895.06	607.31	0.000	0.250	19.74
AM	6	3,046.60	0	0.00	3,046.60	507.77	0.000	0.250	7.62
DS	5	2,453.60	0	0.00	2,453.60	490.72	0.000	0.250	6.13
DB	0	0.00	0	0.00	0.00	0.00	0.100	0.000	0.00
PP	0	0.00	0	0.00	0.00	0.00	0.000	0.250	0.00
**	63	36,011.07	0	0.00	36,011.07	571.60			90.03

News For You

Plan Summary



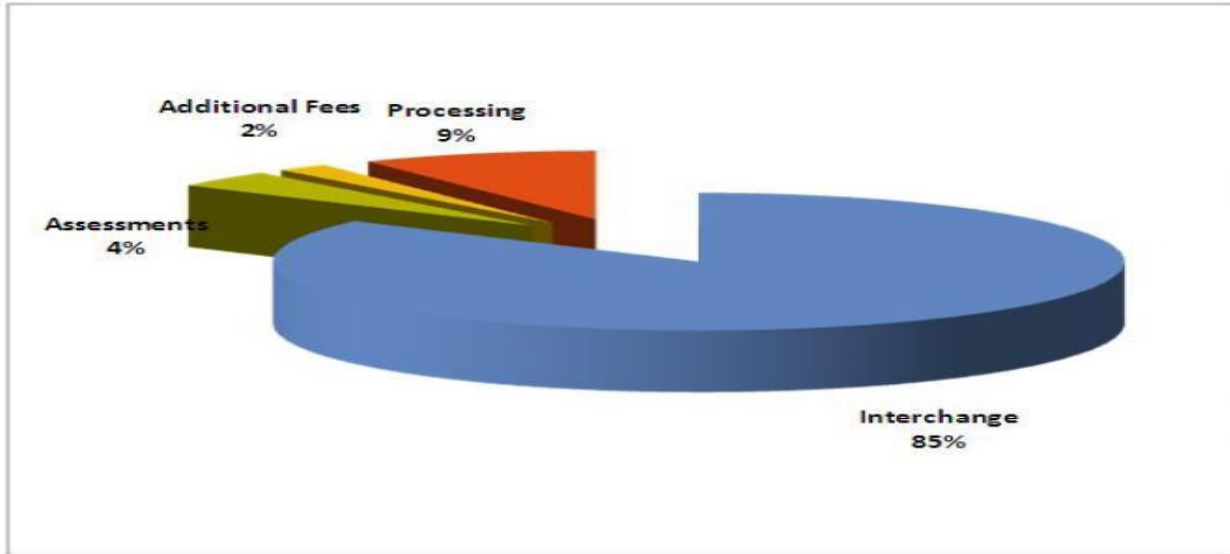
Components of Card Processing Costs



- Interchange**
*Interchange Rate (522 rates) *Very difficult to determine if appropriate rates are charged
DPI (Discount Per Item)*
- Dues and Assessments**
*Visa = 0.11% + \$0.034 APF Fee
MC = 0.11% + \$0.034 NABU Fee
Disc = 0.105% + \$0.034 DNAF Fee*
- MSP (Merchant Service Provider)**
*Monthly Access Fee
Discount Rate (% above Interchange)*
- Communication Fees**
*Front-End Authorization Fee
Back-End Capture Fee*

What do Merchants Pay?

Components of Merchant Pricing



Interchange	Equipment/ Software/ Gateway fees
Assessments & Access Fees	3 rd party fees
Monthly service and statement fees	Non Bank auth fees
Compliance fees	Downgrade fees

Payment Processing: Fees



- **Application Fee**
- **Monthly Fees**
- **Discount Rate**
- **Transaction Fees**



Credit Card
Associations

- IN A CREDIT CARD OR DEBIT CARD TRANSACTION, THE CARD-ISSUING BANK IN A PAYMENT TRANSACTION DEDUCTS THE INTERCHANGE FEE FROM THE AMOUNT IT PAYS THE ACQUIRING BANK THAT HANDLES A CREDIT OR DEBIT CARD TRANSACTION FOR A MERCHANT. THE ACQUIRING BANK THEN PAYS THE MERCHANT THE AMOUNT OF THE TRANSACTION MINUS BOTH THE INTERCHANGE FEE AND AN ADDITIONAL, USUALLY SMALLER, FEE FOR THE ACQUIRING BANK OR INDEPENDENT SALES ORGANIZATION (ISO), WHICH IS OFTEN REFERRED TO AS A **DISCOUNT RATE, AN ADD-ON RATE, OR PASSTHRU**

- INTERCHANGE RATES ARE ESTABLISHED AT **DIFFERING LEVELS FOR A VARIETY OF REASONS**. FOR EXAMPLE, **A PREMIUM CREDIT CARD THAT OFFERS REWARDS GENERALLY WILL HAVE A HIGHER INTERCHANGE RATE THAN DO STANDARD CARDS**. **TRANSACTIONS MADE WITH CREDIT CARDS GENERALLY HAVE HIGHER RATES THAN THOSE WITH SIGNATURE DEBIT CARDS**, WHOSE RATES ARE IN TURN **TYPICALLY HIGHER THAN PIN DEBIT CARD TRANSACTIONS**. **SALES THAT ARE NOT CONDUCTED IN PERSON (ALSO KNOWN AS CARD-NOT-PRESENT TRANSACTIONS) SUCH AS BY PHONE OR ON THE INTERNET, GENERALLY ARE SUBJECT TO HIGHER INTERCHANGE RATES, THAN ARE TRANSACTIONS ON CARDS PRESENTED IN PERSON**. THIS IS DUE TO THE INCREASING RISK AND RATES OF FRAUDULENT TRANSACTIONS. IT IS IMPORTANT TO NOTE THAT INTERCHANGE IS AN INDUSTRY STANDARD THAT ALL MERCHANTS ARE SUBJECT TO. IT IS SET TO ENCOURAGE ISSUANCE AND TO ATTRACT ISSUING BANKS TO ISSUE A PARTICULAR BRAND. HIGHER INTERCHANGE IS OFTEN A TOOL FOR SCHEMES TO ENCOURAGE ISSUANCE OF THEIR PARTICULAR BRAND.





Current Provider: NPC					TSYS:			
	Volume	Discount Rate	Fee	Total	Volume	Discount Rate	Fee	Total
Visa/MC/Disc Interchange	\$58,753.00			\$721.00	\$58,753.00			\$721.00
Pin Debit Interchange	\$772.00			\$5.00	\$772.00			\$5.00
Visa/MC/Disc Assessment Fees	\$58,753.00	0.13%		\$76.38	\$58,753.00	0.13%		\$76.38
Visa/MC/Disc Association Fees				\$50.00				\$50.00
Visa Markup	\$40,064.00	0.410%		\$164.26	\$40,064.00	0.15%		\$60.10
MC Markup	\$17,551.00	0.370%		\$64.94	\$17,551.00	0.15%		\$26.33
Disc Markup	\$1,138.00	0.710%		\$8.08	\$1,138.00	0.15%		\$1.71
V/MC/D Transaction Fee	1544		\$0.06	\$92.64	1544		\$0.05	\$77.20
Amex Transaction Fee	2		\$0.06	\$0.12	2		\$0.05	\$0.10
Pin Debit Fee	93		\$0.03	\$2.79	93		\$0.05	\$4.65
EBT Transaction Fee	176		\$0.00	\$0.00	176		\$0.15	\$26.40
Monthly Service Fee	1		\$0.00	\$0.00	1		\$10.00	\$10.00
On File Fee	1		\$5.00	\$5.00	1		\$3.00	\$3.00
Batch Fee	65		\$0.07	\$4.55	65		\$0.05	\$3.25
PCI Non-Compliance Fee	1		\$19.95	\$19.95	1		\$0.00	\$0.00
Paper Statement Fee	1		\$2.00	\$2.00	1		\$0.00	\$0.00
PCI Program Monthly-Software Fee	1		\$7.50	\$7.50	1		\$0.00	\$0.00
Annual Fee	1		\$0.00	\$0.00	1		\$49.95	\$4.16
PCI Compliance Fee	1		\$0.00	\$0.00	1		\$28.80	\$9.60

TOTALS: **\$1,224.21** **\$1,078.87**

MONTHLY SAVINGS: **\$145.34**

ANNUAL SAVINGS: **\$1,744.07**

\$58,753.00	0.13%		\$76.38	\$58,753.00	0.13%	\$76.38
			\$50.00			\$50.00
\$40,064.00	0.410%		\$164.26	\$40,064.00	0.15%	\$60.10
\$17,551.00	0.370%		\$64.94	\$17,551.00	0.15%	\$26.33
\$1,138.00	0.710%		\$8.08	\$1,138.00	0.15%	\$1.71

8. FEE SCHEDULE

Discount Rate/Per Item Fee: 0.25 % + \$ _____ per item All Visa/MC/AXP/DISC/PP/JCB/Diners Card Types

Pricing Plan/Non-Qualified Surcharges:* 100% Pass Thru

* All Non-Qualified fees apply to all Visa / MC / AXP / DISC / PP / JCB / Diners Card types

**The following association-related fees may be added to "Fees for Access to Card Brand Services" billing bundle or be itemized on merchant statements - Cross border international transaction assessments/program support, MC network access/brand usage (NABU), MC Digital Enablement, MC license fee, Visa US acquirer processing fee (APF), Visa Zero Floor Limit, Visa misuse of the authorization system, Visa FANF, Visa debit integrity, Credit Voucher fee for Visa, MC processing integrity, Discover data usage, American Express Access and System Processing fees may apply. Further Visa/MC/AXP/DISC/PP mandated fees, including association Base II and kilobyte fees, Visa / MC / AXP / DISC / PP assessments, and \$15 Annual Location Fee for MC may also apply.

Batch Close Fee: Batch close and batch inquiries are considered "transactions" and will be billed at the same rate as Visa / MC / AXP / DISC / PP Trans Fees unless specified.

Monthly Minimum Discount: Applies to Discount Rate & captured transaction fees. Qualified T&E Surcharge of .60% will apply to T&E merchant transactions.

TransFreedom: In addition to your TransFreedom Monthly fee, Automatic Volume Purchase billing may apply to volume processed in excess of the current pricing tier at a rate of \$20.00 per every \$500.00 in additional processed volume.

Please see www.TransFirst.com for ways to reduce processing and interchange expense.

Authorization Fee:

All Card Types \$ 0.10 Voice Auth Fee \$ 0.75 ARU Auth Fee \$ 0.75 Batch Close Fee \$ 0.05

Monthly Service Fee	\$ <u>8.00</u>	Application Setup Fee	\$ <u>0.00</u>
Chargeback Fee	\$ <u>15.00</u>	Monthly Minimum	\$ <u>0.00</u>
ACH Return Fee	\$ <u>15.00</u>	ACH Change Fee	\$ <u>15.00</u>
Administrative Fee	\$ <u>0.00</u>	Annual Fee	\$ <u>0.00</u>
Merchant Club Fee	\$ <u>0.00</u>	Retrieval (Request for Copy) Fee	\$ <u>15.00</u>
Payment Gateway Monthly Fee	\$ <u>0.00</u>	Payment Gateway Setup Fee	\$ <u>0.00</u>
Unsupported POS Setup Fee	\$ <u>0.00</u>	Unsupported POS Monthly Fee	\$ <u>0.00</u>

9. ADDITIONAL SERVICES AND TERMS

ACH Processing (ACH Addendum required) Check Services (CrossCheck Application required) Petro/Fleet (Petro addendum required)
 Voyager Wright Express (WEX)

PIN Debit/EBT Debit Discount Rate: NOTE-PIN Based Debit authorization and interchange fees may apply.
PIN Based Debit Per Item Fee \$ 0.10 PIN Based Debit/EBT Monthly Fee \$ 0.00
PIN Based Debit/EBT Application Fee \$ _____ EBT Per Item Fee \$ _____

Wireless and Other Services
Quarterly PCI Non-Validation* \$ 28.80

Petro/Fleet (per Terminal) Setup Fee: \$ _____ Monthly Fee: \$ _____	SmartLink (per Modem) Setup Fee: \$ _____ Monthly Fee: \$ _____
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NOTE - *PCI Fee will be reduced to \$18.80 for ongoing support once compliance is validated; an additional monthly fee of \$9.95 will be charged for ongoing support each month where compliance is NOT validated after 180 days from date of boarding

Section 11.2(d) Fee (as stated in the Merchant Card Processing Agreement does not apply if checked)



(d) Damages for Early Termination.

(i) Bank and Merchant acknowledge and agree that in addition to all other remedies available to Bank under the Merchant Agreement or as otherwise available in law or equity, if the Merchant Agreement is terminated prior to the expiration of the applicable Term of the Merchant Agreement for any reason other than for a material, uncured breach by Bank, Merchant agrees to pay Bank damages (the "Damages") determined by adding an account closure fee as follows: (1) \$250 for Merchants with less than twelve months remaining from the date of termination to the end of the then current Term, or; (2) \$500 for Merchants with more than twelve months remaining, or such portion of the foregoing as may be permitted by applicable law.

(ii) Merchant agrees that such Damages shall also be due to Bank if Merchant discontinues submitting Transactions for processing during the Term for a period of ninety (90) consecutive days, and is not designated on the Merchant Application, or by notice to Bank, as a seasonal merchant or as otherwise agreed to by Bank.

(iii) Merchant acknowledges and agrees that the Damages are not a penalty but rather are a reasonable computation of the financial harm caused by the termination of the Merchant Agreement by Merchant.

Question's:

What is your Discount?

Are you 100% pass thru?

How many cents a swipe?

Early termination FEE?

FACT: Merchants are free to disclose their acceptance costs, interchange fees, or any other cost they incur. MasterCard's policy also allows merchants to discount for cash, checks, debit or any other payment option the merchant would prefer to accept.

Myth: Card company rules prohibit merchants from offering discounts for cash and check.

FACT: Merchants are free to offer discounts for cash – or any other form of payment – as well as discounts for competing brands.

Myth: Checks “clear at par” and therefore debit cards should too.

FACT: Merchants routinely pay between 48 and 85 cents per check transaction to obtain guaranteed payment. In addition to that base fee, merchants must also purchase and maintain equipment to convert checks to electronic funds to avoid deposit fees.

Additional related fees for check acceptance can include set-up fees; transaction fees of approximately 22 cents per check per transaction; monthly service fees; monthly minimums; and terminal fees. Checks also take much longer to process at the point of sale, generating higher labor costs and consumer dissatisfaction for customers waiting in line behind the check payer. Checks can “bounce,” leaving merchants with no payment for their goods or services.

Every transaction - whether it's check, credit or debit electronic payment - incurs processing costs. Any honest comparison between checks and cards needs to account for all of the costs and benefits of both modes of payment.

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