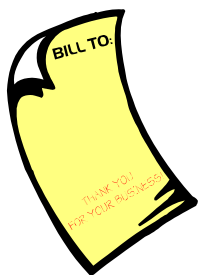




Credit Cards 101

Interchange-Plus Explained



What is Interchange?

Interchange is the set of rules and associated fees established by the card associations (Visa/MC/etc.) that define how much of a credit card transaction is paid to the issuing bank of the card holder as their fee. All credit card transactions are subject to Interchange.

What is Interchange-Plus?

What is *Interchange-Plus* credit card pricing? Simply put, it's "cost plus" pricing. You pay what we pay plus a small margin markup for our service.

As your merchant account provider, we pay (as do all payment providers) interchange, fees charged by the major card associations such as Visa, MasterCard, Discover, and American Express to credit card processing companies to process card payments. We then pass this cost on to you (the merchant) as a fee for processing and clearing credit card transactions.

Most credit card payment providers charge a Discount Rate, which is a fee usually based on a three tiered pricing model. They assign fixed-markup prices using an unofficial categorization of transactions: qualified, mid-qualified, or non-qualified. Pricing using this model is most often inflated, because these fixed rates are being applied to a standard that is not only changed twice a year but involves a complex system of pricing that can involve hundreds of different rate possibilities. Fixed rates such as these are rarely beneficial to the merchant account holder.

The internet is changing the market because it allows the informed consumer, or merchant in this case, to understand and negotiate pricing like never before. We believe that by offering good pricing that is transparent and forthcoming, we can save you the trouble. The "plus" in our Interchange-Plus plan is not only fair, it's consistent. Whatever base rate we pay, you pay that plus an exact amount each and every time. This way you know where you stand, what you pay, and can count on solid numbers each and every time.

What is the markup that I pay?

The markup we add is in the form of "basis points" and a per item transaction fee, which equate to an added percentage and so many cents per transaction processed. To understand our markup, you need to view the whole picture.

Using the example of a typical Visa transaction that is keyed in because the credit card is not available the base interchange rate as provided in the Visa U.S.A Reimbursement Fees guide is as follows:

CPS/Card Not Present: 1.80% + 0.10, add 0.0925% for assessments = 1.8925% + 0.10

As an example, 50 basis points relates to .50% or half of one percent. So for instance, the current interchange rate plus assessments provided by Visa for keyed in consumer card transactions is 1.8925% and includes a 10 cent assessments fee. After adding a markup of 50 basis points (.50%) and 20 cents per transaction, this becomes 2.3925% and 30 cents. So, you would pay 2.3925% of the dollar amount of the transaction, plus .30. On a \$100.00 transaction, this would equate to \$2.69 that is paid out in fees while you make \$97.31.

What are Assessments?

Assessments are the portion of the fees charged with interchange that goes to the card association of the credit card used for payment (such as Visa).



What determines how much I pay?

There are many factors that determine interchange pricing, though these can be viewed in the interchange guides, the following are some of the most relevant elements that affect what you pay:

- Environment the card is accepted – Is the card present, such as in a retail environment, or not present like with phone/mail order, internet, etc.
- What the customer is paying for - Are you selling a physical product, or does your company provide a service? If it's a service, is it provided face-to-face, or is it something you provide from afar?
- Method the card is entered/accepted – Was it electronically authorized/captured? Was the card swiped using a terminal or keyed in to a web terminal? Or did the customer enter the information via the internet?
- Details collected and provided regarding transaction – Did you use address verification (AVS) or the card CVV Code, etc?
- Brand of the card accepted and the kind of card – Visa/MC/Amex, debit card, credit card, rewards card, corporate card, etc.

Card not present transactions are charged a premium price due to the increased likelihood that cards not accepted face to face and in card not present environments convey a greater risk of being fraudulent.

Interchange Rate and Fee Schedules:

MasterCard

http://www.mastercard.com/us/merchant/pdf/MasterCard_Interchange_Rates_and_Criteria-April_2009_Final-with_Interregional_Rate_revisions.pdf

Visa

<http://usa.visa.com/download/merchants/april-2009-visa-usa-interchange-rate-sheet.pdf>

First ACH provides fair, simple pricing :

Setup

One timer.

A small one-time fee will get you started with everything you need to get started.

\$ 40⁰⁰ x1



\$ 10.⁰⁰ /MO.


Get a credit card merchant account for only \$10.00/month with any ACH plan.



Per Transaction

Interchange Plus + .42 BP
 Simply pay what Visa/MC/Disc charges plus our .0042% basis point markup. **and 20¢**