



**Merchant Service Group, Inc.**

With every transaction, every service,  
every product, we put your needs first!

# **Bankcard History 101**

# The Merchant Services Industry

The merchant services industry is a dynamic, ever-changing business. New regulations, technological advancements, and competitive pressures keep the excitement level high, to say the least.

What is our industry called? I've heard many names for the business, including the Bankcard Industry, Merchant Processing Industry, Transaction Processing Industry, Payment Processing Industry, The Financial Services Industry, The Electronic Transaction Industry, and The Credit Card Industry.

Whatever name you want to call it, we are in the same business as every other company on the planet; serving our customer – the merchant.

Without the merchant, we have no industry. Our purpose in this endeavor is to add value to the merchant, so he can add value to his customer. We do this by offering a variety of products and services. The following is a breakdown of the most common products offered in our industry. We have distinguished them into three groups: Core Product, Tier I Products, and Tier II Products.

## **Core Product:**

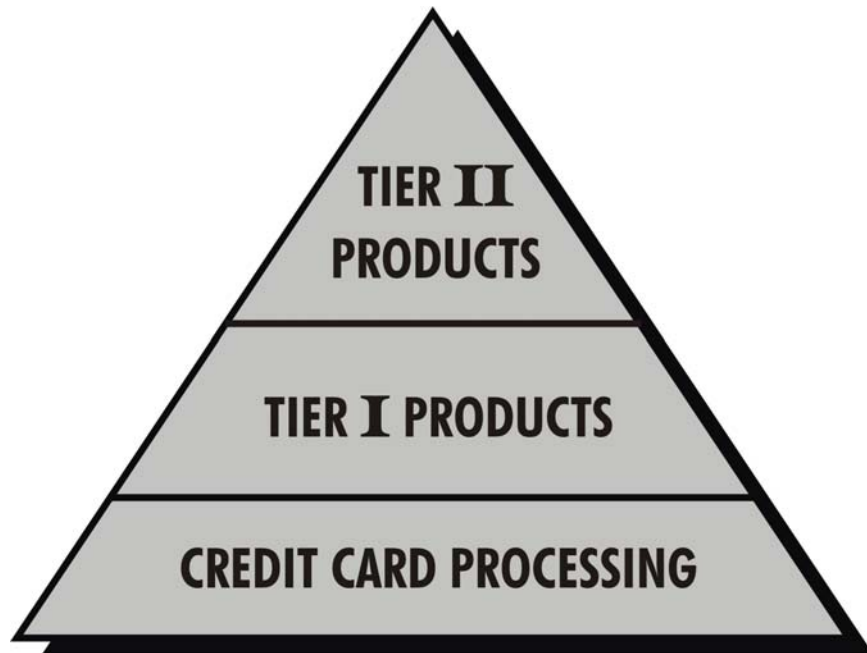
- **Credit Card Processing**
  - **Retail**
  - **MO/TO**
  - **Wireless**
  - **Internet**
  - **High Risk**

## **Tier I Products:**

- **Debit Processing**
  - **Online/Offline**
  - **ATM**
  - **EBT**
- **Check Processing:**
  - **Electronic Check Conversion**
  - **Check Guarantee**
  - **Check Verification**
  - **Online Check Processing**
  - **Check Imaging**
  - **ACH Processing**

## **Tier II Products**

- **Biometrics**
- **Loyalty Card Programs**
- **Pre Paid Products**
  - **Gift Cards**
  - **Debit Cards**
  - **Phone Cards**
  - **Cellular Cards**
- **Custom Applications**
  - **Payroll Cards**
  - **Smart Card Applications**
    - **Government ID**
    - **Mass Transit**
    - **Parking Systems**
    - **Healthcare**
      - **Benefits Verification**
      - **Electronic Claims Processing**
    - **Information Security**
    - **Banking**
  - **Medical Applications**
  - **Age Verification**
  - **Identification Products**
  - **Time and Attendance**
  - **Closed Loop Applications**



Credit card processing sits at the core of our product offering, in the majority of cases we will build upon this core product. This is the one service that the majority of retail and Internet merchants require the most.

Tier I products, such as debit, EBT (Electronic Benefits Transfer), and check processing, are secondary products that appeal to a large percentage of merchants.

Tier II products are more specialized in nature and provide specific benefits to certain types of merchants. Many times you can lead with a Tier II product in order to acquire their credit card processing business.

## Credit Card Facts

### Visa

Visa cards are the world's most widely used form of "plastic" payment – they hold 50.3 percent of the U.S. market share.

Even with the attack on 9/11, Visa had a combined credit and debit volume of \$915.8 billion in the U.S. and \$1.8 trillion worldwide.

Visa has a total of 375 million cards issued as of Q1 2002; 259 million credit cards and 115 million check cards.

Visa has 14,000 U.S. financial institutional memberships and 22,000 worldwide financial institutions.

Credit card volume increased 2.4% to \$591.9 billion.

Visa check cards totaled \$324 billion, which was an increase of 26.7%.

Debit cards accounted for 52% of Visa transactions for the year 2001.

Visa's worldwide market share, at 60 percent, is greater than that of all other major payment cards combined.

There are more than 1 billion Visa, Visa Electron, Interlink, PLUS, and Visa Cash cards in the market today.

Visa branded cards are accepted at more than 21 million locations in 300 countries and territories, *making Visa the closest thing there is to a universal currency.*

### MasterCard

MasterCard's total dollars volume for year-end 2001 was \$986 billion.

MasterCard has over 15,000 member financial institutions in over 210 countries.

MasterCard's gross credit card dollar volume grew 17% to \$421 billion.

MasterCard holds 28.2 percent of the U.S. card market share as of Q1 2002.

The number of MasterCard branded cards worldwide grew 15% to 437 million (excluding Maestro cards).

MasterCard co-branded credit cards in circulation rose 17% to 233.8 million from 199.9 million a year ago.

MasterCard had 23.1 million merchant locations by the end of 2001, up 17%.

## **American Express**

American Express hold's 15.7% of the U.S. card market.

American Express card members tend to spend more because they have more to spend.

45% of American households that earn over \$50,000 have an American Express card.

American Express had 55.2 million total cards in force by the end of 2001, up 7%. U.S. card base grew 4%.

Total receivables rose 11% to \$32.0 billion in 2001.

Card member's average charge on the American Express card is 27% higher than their average charge on other cards.

Incentive programs, such as the Membership Rewards Program, encourage card members to use the American Express card - 51% of card members enrolled in the program go out of their way to use the card.

1.7 million companies (including almost 70% of the Fortune 500) use the American Express Corporate Card for business expenses.

## **Diners**

Diner's Club serves over 201 countries and more than 6.5 million merchants worldwide.

Diner's Club member's charged a total of \$31 billion in goods and services in 2001.

## **Discover**

Discover accounts for 5.1% of the U.S. card market.

Fiscal year ending November 30, 2001, Discover had a net income of \$726 million.

Transaction volume hit a record of \$93.3 billion, up 4%.

Discover added 721,000 new locations for a total of 4 million.

Discover added 4.8 million new accounts, bringing the total to 45.7 million account holders.

## **JCB Card**

Worldwide cardholder base grew from 38 million to 40 million in 2001.

JCB is accepted at over 9.28 million locations worldwide, a 17% increase from 2000.

Charge volume grew 13.5% to \$42 billion from \$37 billion.

## **Debit Cards**

Three quarters of all adult account holders in the U.S. have an ATM/debit card.

Online debit accounted for 10% of electronic transactions in 2001

Offline debit accounted for 18% of electronic transaction in 2001.

Of the 78.6 billion total non-cash payments, signature-based (or offline) debit cards account for 5.3 billion (6.7%) while PIN-based debit cards account for 3 billion (3.8%) in 2001.

There were in force over 250 million cards last year.

87 percent of ATM/debit cardholders used them to make purchases at the point-of-sale.

Debit card use is increasing roughly 25% per year.

It is estimated that debit will be the most popular form of non-cash payment by 2008.

MasterCard's Maestro has some 433 million cards issued worldwide.

## **Checks**

According to the Depository Financial Institution check study sponsored by the Federal Reserve in 2001, there are 49.6 billion checks written annually, with a value of \$47.7 trillion.

This was the first comprehensive study of U.S. check volume since 1979. Since 1979 the average value per check has risen from \$757.00 to \$961.00.

There were over 300 million returned checks, totaling \$197 billion dollars. The average value of each returned check is \$656.00.

Businesses are the heaviest writers and receivers of checks, accounting for 40% of the total value of check payments.

## **ACH Processing**

ACH (Automated Clearing House) payments have increased over 500 percent since 1979. The Federal Reserve study noted that ACH, credit card, and debit card processing is poised for meaningful growth.

ACH transactions for September 2000 reaches 3.5 million, for a value of \$347 million.

Commercial ACH payments increased by 17.4 percent, from more than 6 billion to 7.08 billion in 2001.

The ACH Network is utilized by over 115 million consumers and over 4 million businesses.

In 2001, 18 percent of all ACH transactions were business-to-business payments, 78 percent were business-to-consumer or vice versa, and 3 percent were new ACH products, such as check conversion, e-checks, and re-presented checks.

It is projected that by 2006, ACH transactions will double to over 15 billion.

More than 200 million e-checks were processed in 2001. E-checks debit the consumer's bank account to pay for goods or services through the ACH network.

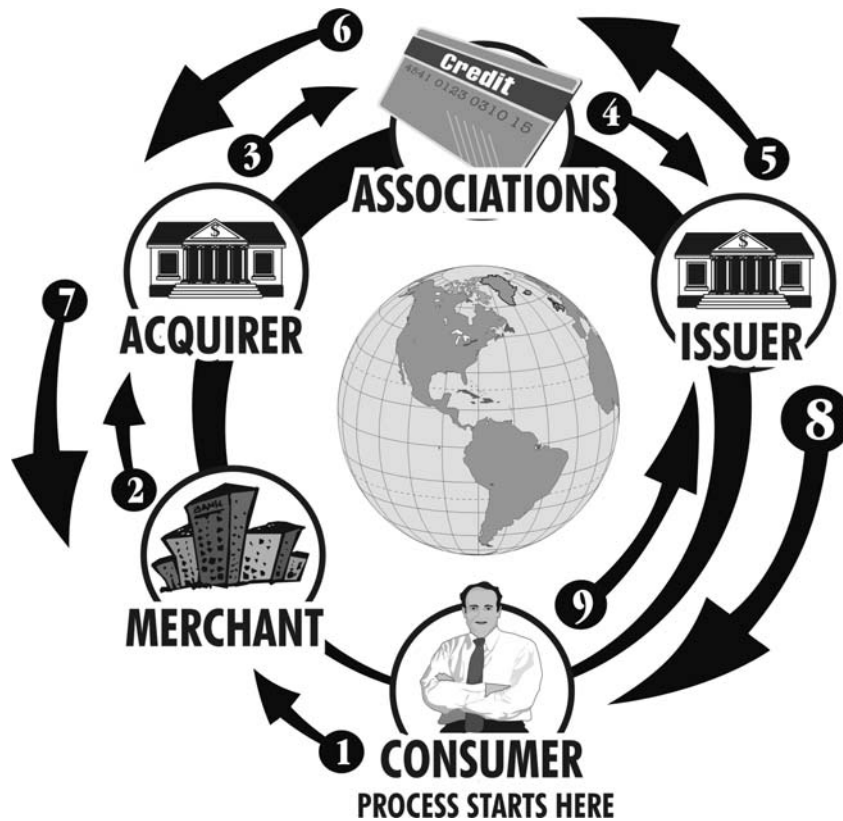
In 2001 there were 88.7 million e-checks processed at the POS, 74.6 million originated from the Internet, and 8.7 million originated from the telephone.

NACHA statistics show that 23.2 million re-presented check entries were processed in 2001. A re-present (or RCK entry) is a returned consumer check that is re-presented for payment electronically, rather than through the paper check collection system.

ACH processing is being used for many purposes, including: Direct Deposits, Recurring Payments (monthly ongoing payments), Online Payments, E-check Purchases, Business-to-Business payments.

# The Transaction Flow

Here are the steps involved in a typical retail credit card transaction:



- Step 1      The consumer purchases goods or services from the merchant.
- Step 2      The merchant transmits the transaction to the acquirer, by sliding the card through the terminal or magnetic stripe reader. The most common device is a credit card processing terminal. If the device cannot read the card, the merchant will manually enter the card information and get a manual imprint of the credit card.
- The terminal then transmits the sales authorization request via a standard phone line connection to the acquiring bank.
- Step 3      The acquiring bank routes the transaction to a processor and then to the associations - Visa System (Visa Net) or MasterCard System (INET).
- Step 4      The association system then routes the transaction to the issuing bank and requests an approval.

- Step 5      The issuing bank sends back the response. If the cardholder is approved, the issuing bank assigns and transmits the authorization code back to the association.
- Step 6      The association then sends the authorization code back to the acquiring bank.
- Step 7      The acquiring bank routes the approval code or response to the merchant terminal. The merchant terminal prints a receipt for the cardholder to sign, which obligates the cardholder to pay the amount approved.
- Step 8      Issuer bills the consumer.
- Step 9      Consumer pays the bill.

## **Settlement**

Settlement is the actual transfer of funds to the appropriate parties. Generally, at the end of the day, the merchant will review all their sales, credits, voids, and totals in their terminal. Once all transactions are verified, they will settle, or close, their batch and transmit the information to the acquirer for deposit to their bank account. The acquiring bank routes the transaction through the appropriate settlement system against the appropriate card-issuing bank.

The card-issuing bank routes the transfer back through the settlement system for the amount of the sales draft, less the appropriate discount fee, to the acquiring bank's account. The acquiring bank then deposits the amount to the merchant's bank account. The merchant usually has their money within 48-72 hours.

There are several variations of this procedure on the front end, depending on the program the merchant is utilizing.

For example, a restaurant may want to be able to track servers to more easily settle tips at the end of the shift. A hotel or car rental agency may want to get a pre-approval before the customer checks in or uses the service. A bar may want to open a tab for its customers.

Each processor has pre-built programs that can be requested based upon the merchant's type of business.

## Internet Processing

Here are the steps involved in a typical Internet transaction. This is assuming the merchant has a shopping cart and payment gateway installed on their website.

- Step 1      The cardholder selects goods or services from the merchant's website. As each item is selected, it is placed in the customer's shopping cart.
- Step 2      The customer verifies the items to be purchased, selects the shipping method, and any other delivery options. The checkout button is clicked, and the order is totaled for the customer. If all is acceptable, the customer clicks the appropriate selection (i.e. Process Order, Buy Now, Order Now, Checkout).
- Step 3      The customer is then transmitted to a secure payment gateway. This allows the customer to enter the credit card information in a safe mode.
- Step 4      Once the information is entered, the gateway encrypts the data and transmits the transaction to the acquirer.
- Step 5      The acquiring bank routes the transaction to the Visa System (Visa Net) or MasterCard System (INET), who then routes the transaction to the issuing bank and requests an approval. Issuing banks use AVS (Address Verification System) and/or CVV (Card Verification Value) to prevent fraudulent use of consumer's credit card information.
- Step 6      The issuing bank sends back the response. If the cardholder is approved, the issuing bank assigns and transmits the authorization code back to the acquirer bank.
- Step 7      The acquirer bank processes the transaction and sends the authorization code back to the merchant's secure gateway.
- Step 8      The gateway displays an approval number for the customer, which usually advises them to print out a receipt at that time.
- Step 9      The gateway software will also email a receipt to the customer at this time and an order notification to the merchant for processing and shipment.
- Step 10     The merchant ships the merchandise to the customer.

- Step 11 Usually at a specified time the payment gateway will automatically process the batch for the day.
- Step 12 The acquirer/processor routes the transaction through the appropriate settlement system against the appropriate card-issuing bank.
- Step 13 The card-issuing bank routes the transfer back through the appropriate settlement system for the amount of the sales draft, less the appropriate discount fee, to the acquiring bank's account.
- Step 14 The acquirer then deposits the funds into the merchant's bank account. The merchant usually has their money within 48-72 hours.
- Step 15 The cardholder's bank bills the cardholder for the amount of the purchase.
- Step 16 Consumer pays the bill.

Just remember, a payment gateway serves the same function as a credit card terminal. There are multiple payment gateways on the market. Many have sophisticated fraud prevention tools and can assist the merchant in controlling chargebacks.

Payment gateways also provide what is commonly called a virtual terminal, along with a shopping cart. The virtual terminal allows the merchant to process manual credit card transactions from the location where there is an Internet connection.

For instance, a merchant may have a website taking orders 24 hours a day; he may also travel to trade shows twice a month. If he has Internet access at the trade show, or at his hotel, he can process manual orders from his virtual terminal, which is web-based.

Internet transactions use several encryption technologies, including Secure Socket Layer (SSL) protocol. For more information on encryption technologies and SSL, go to:

<http://developer.netscape.com/docs/manuals/security/sslin/contents.htm>

# Typical Merchant Fees Charged by Acquirers

## **Discount Fee (Per Transaction)**

The discount rate is the fee charged by the acquirer to the merchant to process each transaction. This rate is dependent upon several factors, but usually you have either a retail (card present) merchant or a Mail Order/Telephone Order/Internet (card not present) merchant.

Retail rates are lower because they present less risk than card not present. Conversely, card not present rates are higher, due to the increase risk exposure to the bank.

For instance, if your retail discount fee is 1.75% for a swiped transaction, then the merchant will be charged \$1.75 for every \$100.00 processed, plus a transaction fee.

Also, if a retail merchant swipes a card and the magnetic strip cannot be read, an additional fee will apply because it will have to be manually entered. This is called a mid-qualified or non-qualified fee. These terms vary depending upon the bank with which you work. An in-depth knowledge of the discount fees is required.

If a merchant processes retail and Internet transactions, your bank may require that they maintain two merchant accounts for each type of business.

## **Transaction Fee**

This is the fee charged to the merchant to authorize the transaction. This fee for a retail merchant is usually \$.20 - \$.25 per sale, and for a MOTO merchant, it ranges from \$.28 - \$.35 per sale, and up to \$.50 for high-risk accounts.

## **Monthly Statement Fee**

This is the monthly fee charged to the merchant in order to produce a monthly accounting of all his transactions. This will usually breakdown their total sales by day, average ticket amount, and total charges.

## **Monthly Minimum Fee**

This is a set minimum the bank wants to earn from each account. The normal monthly minimum fee ranges from \$15.00 - \$25.00. That means if the merchant processes no transactions that month, the bank will receive the monthly minimum fee in order to service their account.

For example, let's look at a merchant with a monthly minimum of \$25.00. If he processed \$1,000.00 in charges and his discount rate is 1.75%, his monthly fee will be \$17.75; he did not reach the \$25.00 minimum, so he will be charged the difference:

$$\$25.00 - \$17.75 = \$7.75$$

If he ran \$10,000 in sales at a 1.75% discount rate, his monthly charges would be \$175.00; he more than met the \$25.00 monthly minimum, so he will not be charged.

The monthly minimum only comes into play for low volume merchants.

### **Annual Fee**

This is a yearly fee charged by acquirers to maintain a merchant's account. Sometimes they received free paper or supplies at a discounted rate.

### **Application Fee**

This is the fee associated with processing an initial application from a new merchant. This covers the overhead costs of credit bureaus, phone verifications, and data input.

### **Charge back Fee**

This is the fee charged by a bank when they issue a chargeback to a merchant. This varies from \$15.00 – \$30.00

### **Equipment Warranty Plan**

This is a monthly or yearly fee that will replace or repair a merchant's terminal if it malfunctions or breaks.

### **Voice Authorization Fee**

This is the fee charged if the merchant calls in for a voice authorization.

Here is a typical break down for an average merchant:

1.75%	Discount Rate
\$ .25	Transaction Fee
\$10.00	Monthly Statement Fee
\$50.00	Application Fee
\$25.00	Monthly Minimum Fee

### **Check Guarantee Fees**

Check Guarantee fees are basically structured similar to credit card processing fees. There will usually be a discount rate, statement fee, monthly minimum, and application fee.

### **Check Verification Fees**

Check verification does not guarantee checks; it just verifies if that particular person is in the vendor's bad check database. There is usually not a discount fee associated with check verification.

Standard fees usually include a flat fee, monthly minimum, and statement fee.

### **Debit Fees**

Debit fees vary, depending on the debit network the debit card is from. Some debit networks, like Pulse, just has a transaction fee with no percentage fee. Others charge a small percentage fee. You also may have a small debit card statement fee from \$3.00 - \$10.00 per month. There is usually no monthly minimum associated with debit card processing.

### **Internet Payment Gateway Fees**

This is a monthly fee associated with maintaining a merchant's secure payment gateway.

Payment gateways also vary. Usually you have a setup fee, a monthly gateway fee, and/or a transaction fee.

The monthly gateway is usually \$10.00-\$25.00, and the transaction fee ranges from \$.05 - \$.15 per sale.

### **Wireless Fees**

Wireless terminals require a wireless network through which to process transactions. The monthly wireless access fees range from \$15.00 – \$20.00, and additional transaction fees can range from \$.05-\$0.30 per transaction, depending upon the carrier. Many times there is a wireless setup fee, that is between \$50.00 - \$99.00.

# How Credit Card Disputes Are Handled

## **Disputes**

Unfortunately, nothing is perfect, and in a system with so many users, errors and cheating does occur. To protect the payment system, consumers, and merchants from abuse and excessive costs, there are remedies to handle disputes between members.

The basics of this are in the retrieval request and the charge back. Requesting of information (particularly sales drafts) to clarify a sale is called the retrieval request, and the reversing of unauthorized or incorrect sales is a charge back.

## **Retrievals**

Before transactions get to be disputed, they often need some clarification.

If the cardholder simply doesn't recognize the name on his credit card bill, he may request a copy of the sales receipt bearing his signature.

To comply with these requests, merchants must print receipts from the terminal (an electronic card reading device) or imprint the card with a slide over a pre-printed carbon form.

Additionally, whatever form of draft is used it must have a signature line and the merchant is required to obtain the signature before completing the sale.

## **Retrieval Functions**

Storage of paper (hardcopy) sales drafts and film cartridges

Retrieval of items in the hardcopy retrieval and charge back process

Request fulfillment

## **Sales Draft Storage**

In addition to properly obtaining signed receipts, the merchant or the acquirer must save the sales receipts (also called drafts). Acquirers or merchants are required to hold drafts on-site for 3 years, and hold them off-site for 7 years. Both merchants and acquirer store hardcopy sales drafts or POS tape.

## **Sales Draft Retrieval**

Retrieval areas receive requests from issuing banks. Visa and MasterCard regulations stipulate that a request must be fulfilled within 30 days from the date of receipt. Any request not fulfilled within that time frame can be charged back to the merchant.

## **Request Fulfillment**

Request for all hardcopy sales drafts are fulfilled as quickly as possible for disbursement to the issuing bank. MasterCard requires all retrieval requests be fulfilled electronically through the MasterCom electronic image process system.

Visa will allow requests to be fulfilled through the mail, along with Visa's Copy Request Manager System.

## **Charge backs and Collections**

When an issuer disputes a transaction (either at the request of the cardholder or for reasons of its own), the matter is handled through a charge back or compliance case. In a charge back, the issuer returns a transaction to the acquirer, and the acquirer returns the payment previously made in interchange.

Charge backs result either from cardholder disputes or from rules violations by the merchant or acquirer; they help enforce operating rules and correct transaction errors.

The initial, or first, charge back is always initiated by the issuer. It can result from the issuer finding an error in the transaction, or it may result from a cardholder complaint. Visa and MasterCard have developed standard procedures and time frames for submitting and processing charge backs.

## **The Charge Back Process**

The charge back process begins when an issuer, on its own behalf or in defense of a cardholder, returns a presentment from the acquirer. Presentment is the stage of interchange when the acquirer, via the Visa and MasterCard system, presents the issuer with the transaction information. The issuer is automatically charged for the transaction during settlement, which takes place at the same time as clearing.

In other words, the issuer receives information about a transaction, which was already paid, and realizes that the transaction may be invalid.

At this point, the issuer wishes to charge the transaction back to the acquirer.

## **Functions of the Acquirers**

Determine legitimacy of charge backs presented by issuers

Represent all "representable" items on behalf of their merchants

Handle arbitration of charge backs, if the representment is disputed by the issuer

Handle collection of amounts from the merchants

Acceptance of incoming collection cases from issuers

Acceptance of outgoing collection cases from merchants

Submit Arbitration/Compliance issues to Card Associations

Reversal of inaccurate merchant transactions

## Processing Equipment

According to a recent article in ATM & Debit News in 2002, manufacturers shipped 1,956,731 terminals in the United States, an increase of 12.3% from the previous year.

Here are the approximate new terminal shipments in the U.S. by vendor for 2002:

<b>Manufacturer</b>	<b>Units Shipped</b>
<b>Verifone</b>	<b>606,680</b>
<b>Hypercom</b>	<b>596,000</b>
<b>Ingenico</b>	<b>286,718</b>
<b>Lipman USA</b>	<b>160,000</b>
<b>MIST</b>	<b>70,000</b>
<b>Thales</b>	<b>42,000</b>
<b>Linkpoint</b>	<b>36,333</b>
<b>Schlumberger Sema</b>	<b>35,000</b>

Source: ATM & Debit News

These numbers should give you a good idea about who holds what percentage of market share in the U.S. However, worldwide market-share distribution is quite different.

Credit card processing equipment, or point-of-sale devices (POS), gives the merchant the ability to electronically transmit transactions to their acquiring bank.

Optional POS systems may include software packages installed on a PC with a magnetic stripe reader, a cash register, a wireless unit, a kiosk, or custom developed system (usually for very large merchants).

For small to mid-size businesses, a standard credit card terminal and printer will do the job.

Terminals have drastically evolved over the years. The majority of terminals now are multi-application capable.

Multi-application capable means a terminal can process and support multiple services at the merchant countertop.

Current POS devices have the ability to process several types of applications:

- **Credit Card Transactions**
- **Gift/Loyalty Cards**
- **Prepaid Services (limited number)**
- **Check Processing**
- **Debit Transactions**
- **EBT**
- **Check Card Transactions**
- **Purchasing Cards**
- **Signature Capture**
- **Electronic Benefits Transfer**
- **Smart Cards**
- **Wireless**
- **Custom Applications**

There are multiple manufactures of POS terminals in the market place. The major manufacturers of POS equipment are:

- **Hypercom**
- **Igenico**
- **Linkpoint**
- **Lipman USA**
- **Schlumberger**
- **Thales**
- **Verifone**

Future applications will include medical benefits verification, medical claims processing, government license renewals (i.e. fishing and hunting); many manufacturers already have applications for biometrics, age verification, and many more.

# Debit and Check Card Processing

## Quick facts:

- Three quarters of all adult account holders in the U.S. have an ATM/debit card.
- Online debit accounted for 10% of electronic transactions in 2001.
- Offline debit accounted for 18% of electronic transactions in 2001.
- Of the 78.6 billion total noncash payments, signature-based, or offline, debit cards accounted for 5.3 billion (6.7%), while PIN-based debit cards accounted for 3 billion (3.8%) in 2001.
- There were over 250 million cards in force in 2001.
- 87 percent of ATM/debit cardholders use them to make purchases at the point-of-sale.
- Debit card use is increasing roughly 25% per year.
- It is estimated that debit will be the most popular form of non-cash payment by 2008.

Source: ATM & Debit News, Retail Payments Research Project

Debit is the fastest growing form of payment. A debit card accesses the cardholder's bank account to secure and hold the authorization amount against available funds.

There are two types of debit transactions:

- **Online (PIN Based)**
- **Offline (Signature Based)**

A regular debit or ATM card (without the Visa or MasterCard logo) may only be used through the debit networks.

This means that the debit card will work at any ATM machine, but in order to be accepted at a merchant business, the merchant must have the debit service activated and a pin pad attached to the credit card terminal.

A check card (has Visa or MasterCard logo) can access all the debit/ATM networks and has the ability to be run through the credit card networks like a credit card transaction.

Rates for online debit are usually just a small transaction fee. Pricing for check cards is similar to a credit card transaction, which has a percentage and item fee. For example, let's compare the fees on a \$1,000.00 sale for a merchant that has a 1.65% rate, with a \$.25 transaction fee, for credit card transactions.

**Online (Requires Pin Pad)**

**Usually flat rate approx \$.40**

**Total cost = \$.40**

**Offline (check card, no pin)**

**1.65% +\$. 25**

**Total cost = \$16.75**

By running the sale as an online debit, the merchant would save \$16.35 for a single transaction.

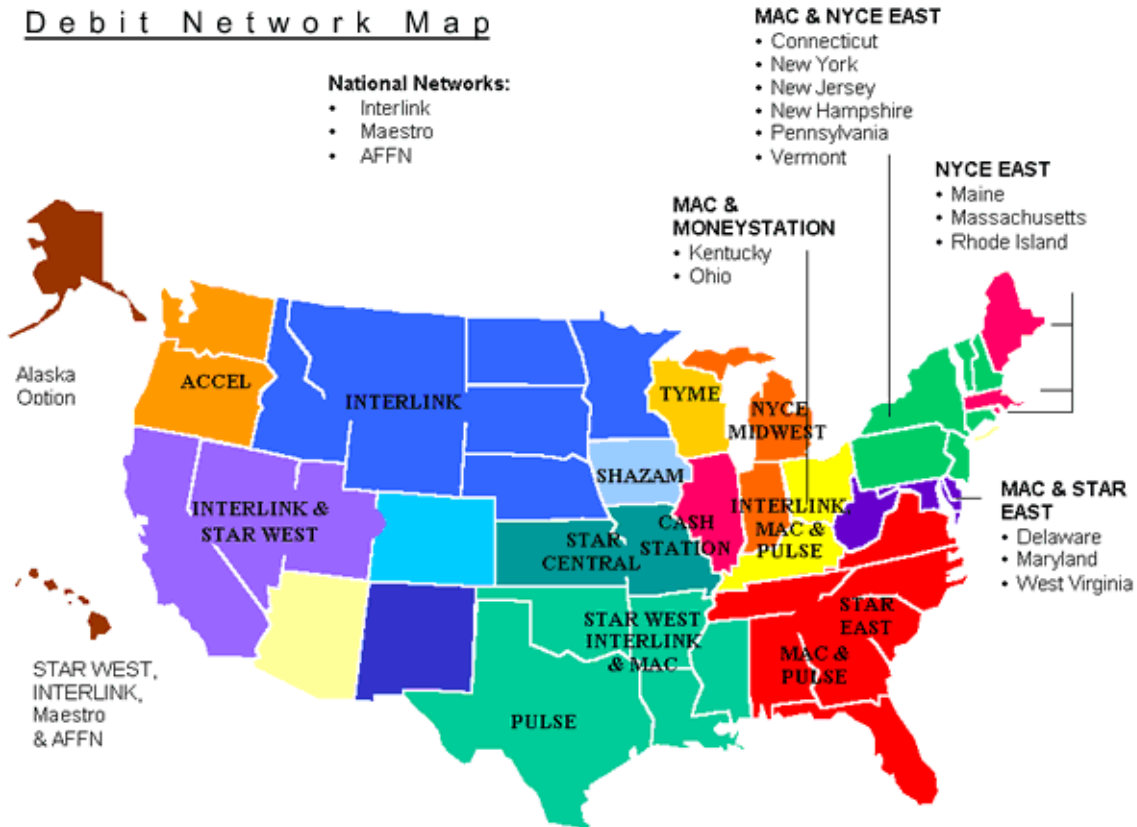
For this reason, debit works well for merchants with a high average sale.

Today there are roughly 823,000 POS terminals equipped with the pin pads. With an estimated number of 5 million POS terminals installed, that leaves you over 4 million potential customers.

Some of the most popular debit networks are:

- **Accel**
- **Cash Station**
- **Cirrus**
- **Explorer**
- **Honor East**
- **Honor West (BankMate)**
- **Interlink**
- **MAC**
- **Maestro**
- **Magic Line**
- **NYCE**
- **Pulse**
- **Shazam**
- **Star**

## Debit Network Map



\$0.26 + Pass Through Network Cost	Per Item	Percent
**** fee varies: max \$ per transaction		****
MAC	\$0.125	0.00%
INYCE	\$0.165	****
Maestro	\$0.125	0.00%
Interlink (Retail)	\$0.255	****
Interlink (Supermarket)	\$0.175	0.00%
CASH STATION	\$0.090	0.00%
Star/Honor (Retail)	\$0.220	****
Star/Honor (Supermarket)	\$0.155	0.00%
Pulse	\$0.130	0.00%
Instant Teller	\$0.00	0.00%
ACCEL	\$0.105	0.00%

# Leasing 101

Leasing is the ability to finance your merchant's equipment over time. Leasing allows the salesperson to give their merchant an alternative to paying cash. The majority of sales in the bankcard industry are made with leasing.

When leasing equipment, you are being paid a percentage of the payments the lessee (merchant) is going to make over the term of the lease. The lease company grades the lease, which means it reviews the customer's credit; this will determine the amount of your funding or commission.

Usual lease terms are 12, 24, 36 and 48 months. Leasing is not renting; the merchant is committed to the contract for the term of the lease. Most lease companies will let the merchant transfer the lease liability, if needed, or pay the lease off early.

In addition to the monthly lease payment, the merchant will pay tax and a loss destruction waiver. The loss destruction waiver is roughly \$2.00 – \$3.00 per month and is an insurance policy on the equipment. The merchant can often avoid this fee by using their own insurance company, with the lease company named as the loss payee.

At the end of the lease term, the merchant will either return the equipment to the leasing company or purchase the equipment for fair market value. The fair market value is determined by a set value from the leasing company.

The advantages of leasing are as follows:

- **Very little upfront cash from merchant to get started (usually 1 or 2 payments)**
- **Merchant can use capital to start and maintain business**
- **Merchant can budget his fixed lease payment**
- **100% tax deductible for the merchant**
- **Merchant can upgrade older equipment and take advantage of newer technology**
- **Gives the agent an excellent selling tool to close more sales**

Here are the normal steps to process a lease:

- Step 1      Agent writes a contract between the merchant and lease company.
- Step 2      Lease is faxed or sent to lease company for credit grading.
- Step 3      Merchant is approved; equipment is downloaded and installed at merchant's location.
- Step 4      Original lease and required paperwork are sent to lease company for funding.
- Step 5      Merchant verbally verifies the terms of the lease with the lease company
- Step 6      Lease company pays ISO funding amount based on credit score
- Step 7      Agent is paid commission.

Most lease companies at this time are only leasing hardware, which means a physical piece of equipment. Some will lease software and payment gateways.