GLOSSARY OF TERMS FOR NEWSLETTER ARTICLE:
Merchant Credit Card Costs—Do You Know Yours?

ACH (Automated Clearing House): A processing network that functions as an exchange for electronic (no physical checks) debit and credit transactions.

Acquiring Bank: A bank that establishes and maintains the merchant relationship and processes all merchant transactions.

Authorization: A required process of approving a transaction by an issuing bank, authorized third party processor, or Visa/MasterCard on behalf of the issuer before the merchant completes the transaction. Authorizations may be received verbally, by phone, or electronically.

Basis Points: A "basis point" is 1/100th of a percentage point. Discount rates are often negotiated in terms of "basis points".

Chargeback: When a cardholder disputes a credit card transaction through their credit card issuer, the issuing bank initiates a chargeback against the merchant's account. The sale amount of the disputed transaction is immediately debited from the merchant's bank account. Merchants have ten days in which to dispute the chargeback. A chargeback fee is generally assessed to the merchant account for the handling of this process.

Discount Rate: The fee taken by the bank as a percentage of all sales transactions. There are different discount rates for each type of transaction. Generally, the lower the risk of fraud or non-payment, the lower the discount rate will be.

Electronic Ticket Capture (ETC): This is the process of combining sales ticket information and the buyer information that is contained in the magnetic stripe on the back of the card. When the credit card is "swiped" through a terminal, the buyer information is read by the computer system and electronically merged with the sales information. Tickets are processed in batches, usually at the end of the day.

Imprinter: A slide-type device used to imprint the raised characters on a credit card to a transaction slip. All merchants should have a manual imprinter for cases that demand a physical imprint, such as when phone or computer resources are unavailable.

Issuing Bank: Any Visa/MasterCard member bank that contracts with cardholders for the issuance of cards.

Mid-Qualified: A card is not present for the transaction or the card is not swiped. The discount rate is higher than a qualified transaction.

Monthly Minimum: The minimum amount of discount fees charged by a Merchant Service Provider in a given month. If the account activity does not reach the monthly minimum, the merchant pays the difference.

Non-Qualified: A card is not present for the transaction, and the billing address is not passed for an authorization. This also applies to charges on government, corporate and foreign cards and when sales transactions are not batched within 24 hours. The discount rate is higher than for a mid-qualified transaction.

Qualified: These transactions are a retail transaction with card present, the card is swiped, and the merchant batches out at the end of the day.

Statement Fee: A monthly fee that entitles the merchant to customer support, and a statement to be mailed to the merchant.

Swipe: The action of physically sliding a credit card through a terminal or magnetic stripe reader that "reads" the magnetic strip on the back of the card. Swiping the card indicates that the card is present for the transaction and therefore enables a lower discount rate.

Transaction Fee: A per item fee charged for each transaction between your terminal or software and the processor's network.