

Credit Card Processing Rates

Don't be fooled by the numbers

The post card we received had 1.33 percent emblazoned on the front of the promotion in large, bright red numbers. In the upper left corner of the card was printed "Accept Credit Cards." If you only looked at the front of the card, it would be easy to assume it was an offer to merchants to process credit cards at 1.33 percent.



On the backside of the card, we found, "More profit on credit card sales! The lowest merchant fees for businesses!" Again, the 1.33 percent showed up like a lightning bolt. But we also noticed some of the smallest wording on the card was "of VISA/MASTERCARD DEBIT SALES," which was printed directly under the screaming rate of 1.33 percent.

If a merchant accepted the rate as fact, and nothing suggested it wasn't fact, it did not reflect what the merchant might pay for processing non-debit transactions. But the 1.33 percent is a head-turning number and many merchants (and we're not pointing fingers) often leap at such offers but later have an "Oh, I didn't realize that" moment.

It wasn't the number that caught our attention – it was the wording under the number because it only applied to debit-based transactions. Is 1.33 percent a low rate? In some cases, it most certainly is. But the table below shows how the offer and other details about the promotion compare to the association program, administered by Elavon).

Other questions we pondered when reviewing the promotion centered on rates for swiped or hand-keyed transactions, and rates for rewards, business and corporate card transactions. The promotion didn't offer a hint about rates for these transactions but it wasn't designed to.

The promotion was all about the boldly printed 1.33 percent (never mind the small print) and getting people to call. It was an invitation to explore and merchants should do just that – explore. But going in, merchants need to understand that processing volume and merchant classification influence rates. Because merchants are categorized by business type, processing rates vary accordingly.

The bottom line is the offer we reviewed is the kind of "stuff" members receive – all businesses receive – from individuals or organizations that represent bankcard processors. We thought you'd like to know.

The APA and Elavon invite you to take advantage of association discount rates. Even if you are currently using another payment processor, call for a FREE rate comparison. You have nothing to lose but higher fees.

To get started, please call Liz Harpst at (865) 933-0872 or email liz.harpst@elavon.com.

Comparing Credit Card Programs		
	Post card promotion	Association program
Processing Rate	The processing rate is 1.33 percent (plus 29 cents) of the sales transaction on debit card transactions.	True debits, which occur when a customer approves the transaction using a PIN number, are processed at 56 cents for sales under \$25; 70 cents for sales greater than \$25 but less than \$55; and 85 cents for sales above \$55. There are no additional fees on these transactions.
Terminal Cost	The credit card terminal displayed on the post card is an Omni 3730, an excellent terminal, priced at \$395. The 3730 requires an external PINpad, which may cost as much as \$150.	APA's price is lower for an OMNI 3730 LE (a slightly better version than the 3730) that features an internal PINpad to process debit cards.
Application Fee	A \$35 application fee applies.	No application fee.
Statement Fee	Monthly statements are \$5.	Monthly statements are \$2... FREE when downloaded online.
Transaction Fee	A transaction fee of 29 cents is assessed on each transaction. However, the promotion didn't indicate when it's applied – on debit transactions or on all transactions.	The post card promotion fee of 29 cents is more than double the cost of any transaction fee assessed by the association program.