

Charges Related to Credit Cards

The Texas A&M System uses the credit card processor Global Payments. Even if a merchant's transactions pass through a 3rd party such as Authorize.net, TouchNet, Paypal Payflow, or MerchantLink, the next step in the process takes them to Global Payments for authorization and settlement.

Visa & MasterCard

In April 2010, the pricing method changed for merchants within the Texas A&M System. The overall effect will be to slightly reduce merchant costs related to card processing, but unfortunately the formula for calculating cost has become more complex. This section presents a basic overview of the new pricing formula.

Texas A&M has moved from a "bundled" rate (meaning a single set of average rates) for Visa and MasterCard to an "**Interchange + Assessment + Processor Fee**" model, which passes on actual costs.

Interchange is the fee charged by the banks that issue payment cards. The Interchange rate is affected by the type of credit card (check-card, consumer credit card, corporate credit card, etc.) and how the transaction is processed (card swiped vs. key entered). Risk and industry requirements (such as the length of time between authorization and settlement) also influence the interchange rate. Currently, there are 16 different card types issued by Visa and MasterCard, with multiple interchange types listed under each card type.

Interchange is the single biggest variable in your credit card processing costs. Interchange rates always consist of a percentage of the amount paid plus a transaction fee. Interchange can be as low as 0.8% + \$0.25 or as high as 3.25% + \$0.10. If each card were used equally, the average would be 1.9% + \$0.10. A merchant who has one hundred \$1 transactions will pay more in fees than a merchant who has a single \$100 transaction because of the second (flat rate) portion of the interchange rate.

More than 200 different interchange rates exist just for the types of transactions conducted by Texas A&M. Due to the number of rates and the frequency with which they change, FMO does not notify merchants each time a particular interchange rate changes.

Assessments are the fees charged by Visa and MasterCard. Assessments are more straightforward. MasterCard and Visa both charge 0.11% of each transaction.

FMO notifies merchants in advance any time an interchange rate will change.

Processor Fees are the fees paid to Global Payments for processing Texas A&M's transactions. These fees are a simple 0.08% + \$0.025.

Taken together, your Visa/MasterCard/Discover merchant fees could be as low as:

Interchange +	Assessment +	Processor	= transaction fee
0.8% + \$0.25	0.11%	0.08% + \$0.025	= 0.99% + \$0.275

Or as high as:

Interchange +	Assessment +	Processor	= transaction fee
3.25% + \$0.10	0.11%	0.08% + \$0.025	= 3.44% + \$0.125

Discover and American Express

Although Texas A&M has “unbundled” the rates for Visa and MasterCard, the rates for American Express and Discover are still bundled. That means the interchange and assessments are already factored into a smaller number of rates.

Discover’s rate is 1.7% for consumer cards and 2.21% for business cards. American Express charges 2.15%. The processor fee for these cards is a flat \$0.06/transaction.

While these rates seem more expensive at first glance, when you refer to the high and low examples on the previous page, you’ll note that these rates fall somewhere in between. When factoring in all costs, Discover and American Express are competitive with other card rates.

Other Fees

Global Payments charges a \$2.50 monthly fee to maintain your merchant account.

If you own a credit card swipe terminal, Global Payments offers a warranty option. Under the warranty, if your credit card equipment stops functioning properly Global Payments will repair or replace your equipment. Your account will be charged a monthly \$5.00 fee for each piece of equipment under warranty. If your warranty equipment needs to be replaced, you will be charged a \$30 replacement fee. The warranty is optional and must be requested by the merchant.

Chargebacks are credit card transactions that your customer has disputed. During a chargeback, your FAMIS account used for the original transaction (or the FAMIS account you designate at the time you sign up) is debited the disputed amount until the transaction is proven legitimate through an investigation phase. Global Payments sends paperwork to Texas A&M’s Financial Management Operations (FMO), who in turn sends it to you. It is important that you complete and return this investigation paperwork in a timely manner to avoid losing the chargeback dispute. Send your completed chargeback form directly to the credit card companies, following the instructions found on the form.

FMO will charge your FAMIS account monthly for all the above credit card service charges.

Lowering Your Fees

Obviously you do not have control over which cards your customers use, and your merchant agreement with the card brands prohibits you from accepting only some forms of their cards (such as ones with low interchange) while denying others. However, there are other ways merchants can affect their interchange rates. The following advice applies to merchants who accept cards in person.

As explained in the Interchange section above, Risk is one of the factors used in calculating the interchange rate. Transactions in which the card is present are considered less risky than ones in which the card is absent. Consequently, you are charged a lower interchange rate if you (or the customer) swipe a card and allow it to read the magnetic stripe data (called “Track 2 Data”) on the back as opposed to keying in the number on the keypad.

From time to time new government and industry regulations require changes in how and what data is sent during authorization. Sometimes this requires updates to your equipment’s software. If you fail to update your equipment and do not transmit the data expected by the card processor, your transaction could be penalized and downgraded to a higher interchange rate. Verifying that you have the most recent version of your payment application software is a requirement of PCI-DSS, but it also makes good business sense. Call Global Payments for help in confirming that you are running the correct payment application version on your equipment.

Finally, just because a card has been swiped and approved doesn’t mean the merchant’s job is done. You are also responsible for settling your batch of all transactions in a timely manner. Batches should be settled daily or run the risk of getting downgraded to higher interchange rates.