

Credit Card Merchant Fee Descriptions

Each transaction is tracked in several ways and by several entities. The fees are calculated based on how the transaction is processed (via POS terminal, Cybersource HOP or a 3rd Party Processor) and the number of transactions associated with each sale. Third parties, card issuing banks, American Express, MasterCard, Visa, or Discover can potentially charge fees associated with a single sale. The various ways the fees are charged can be one or a combination of:

- Actual transaction count
- Amount of sale
- Number of returns
- Amount of return
- Authorization Summary - includes authorizations, settlements, declines, reversals and cancels
 - Access Fee surcharge for all approved transactions and other transactions such as returns
 - Assessment fee – sometimes called authorization fee. A transaction can be processed in two steps, authorization to make sure the funds are available and the settlement fee.
 - Settlement fee – the fee to actually complete the transaction and take the funds. This is charged for sales plus returns/credits

POS terminal Fees

- Dial Communication fee: \$0.035/transaction
 - These are fees usually associated with POS transactions charged by the communication gateway used.
- TSYS Fee: \$5.00/month – even if there are no transactions
 - This is a ‘connection out’ fee which will go away when we replace all the terminals this year
- Equipment and Supply Fees – Cost for replacement terminals and supply orders. Most areas will not have this charge because existing terminals are paid for and you pay for the supplies you order. This will only appear if you order supplies and the supply company charges the Treasurer’s Office.

Cybersource Fees

- One time setup fee: \$225.00
- Vitalnet Frame Relay/IP Fee: \$0.05 based on approved and other counts per transaction
 - This is a fee for each authorization, settlement and refund processed

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Third Party Processing Fees

These are fees imposed by MasterCard, Visa and Third Party Processors on all transactions so you will have many of these fees on POS, Cybersource and Third Party applications. Most transactions have multiple fees associated for any one transaction which is why the count of transactions the charge is based upon can be different than your actual number of sale transactions. A description of each is below:

- MasterCard Network and Brand Usage Fee - .0185 on settled transactions
 - The fee is calculated on the number of Sales and Returns. It is a Third Party pass through fee from MasterCard.

- MasterCard Settlement Fee .0019 per transaction
 - This is a network transmission fee from MasterCard assessed the bank by MasterCard.

- MasterCard Address Verification Fee
 - MasterCard assesses all Acquirers a fee of \$.005/transaction for all transactions containing an Address Verification request, regardless of the dollar amount. An address verification request validates the cardholder's billing address provided at the time of the sale with the billing address on file at the cardholder's financial institution. NOTE: this fee is not charged on Cybersource users

- The MasterCard Acquirer Brand Volume Fee
 - Commonly referred to as Dues and Assessments —is a network fee of 0.12% on Consumer and Commercial credit volume on transactions of \$1,000 or greater that is assessed on all MasterCard sales.

- Visa Base II fee: \$0.0017 times count of Visa Sales and Visa Returns
 - This is a network transmission fee from Visa assessed the bank by Visa. Effective July 1, 2009, the Visa Base II Fee will be increased by \$0.0002/transaction, the new rate is 0.0019.

- Visa Risk Fee: \$0.001 times count of Visa Sales
 - A third party pass through fee from Visa

- Visa Account Verification Fee: \$0.025 per transaction
 - Most commonly used in the Card Not present and E-Commerce space, Account Verifications provide merchants with an effective way to validate account numbers, Card Verification Code 2 (CVC2), and Address Verification Service (AVS) prior to submitting the full authorization. While Visa implemented this fee in February, we will not begin to assess this fee to you until May 2009. This fee will be reflected on your invoice as VS Acct Verification Fee.

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- Visa Authorization Misuse Fee: \$0.045 per transaction
 - Applied to authorizations that are not followed by a matching Visa settlement transaction or not properly reversed if applicable. This fee was implemented to reduce the occurrence of authorizations that are approved but never settled. These types of transactions can restrict a cardholder/s open to buy, leading to increased declines and confusion at the merchant's point of sale. Merchants must properly authorize and wither settle or reverse all transactions.
- Visa Zero Floor Limit Fee ("Force Post"): \$0.10 per transaction
 - Applied to any Visa settlement transaction submitted without proper authorization. Merchants must ensure that they authorize all transactions.
- Visa APF – Acquirer Processing Fee - of \$0.0195 on all Visa-branded authorizations acquired in the U.S.
 - Fee is assessed on all Visa authorizations acquired in the U.S.
 - Relates to all Visa authorizations including POS check and Visa ReadyLink authorizations
 - Affects transactions received through acquirers or third party processors
 - NOTE: though this says 'acquirer', it is not a Fifth/Third bank fee but a Visa fee

Transaction Fees

- Credit Card Type
These are fees imposed and collected by Fifth Third. There is a set rate of .12. The count is based on which ever is larger (sales + other + returns) or (approved + other + returns). (NOTE: Discover transaction fees are calculated the same but are located under Dial Communication Fees.)
- Chargeback and Adjustment Services
This is a fee imposed and collected by Fifth Third. It is a \$5.00 fee for each chargeback processed.
- Other Services
This is a fee imposed and collected by Fifth Third for Voice and DVRS (Digital Voice Response System) assisted calls.

Wireless Fees

- These are fees charged for activation, support and transactions on the handheld credit card machines.

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Interchange Fees

These fees have always been charged to the merchants. Interchange fees are the fees charged by the bank which issues the credit card and varies depending on the type of card (reward, gold, basic, etc) and the commodity being purchased. They can range between 1.5% and 3% of a transaction.

Overall the trend has been that the total fees represent, *on average*, between 1.8% to 3% of total sales. The number of sales, the dollar amount of the average sale and the type of credit card used will account for the variation in total percent of sales the fees represent.