

VISA AND MASTERCARD DISCOUNT RATES FREQUENTLY ASKED QUESTIONS

QUALIFIED, MID-QUALIFIED, AND NON-QUALIFIED DISCOUNT RATES*

1) What are Visa and MasterCard 'qualified,' 'mid-qualified,' and 'non-qualified' discount rates?

Visa and MasterCard assess a fee on each credit card sale. The fee is a percentage of the sale and is the main component of what is called a 'discount rate'. The discount rate percentage that you are charged depends upon whether the sale is considered 'qualified', 'mid-qualified', or 'non-qualified'.

All sales are charged the basic 'qualified' discount rate. Rewards cards, which are more expensive to administer, receive an additional 'mid-qualified' surcharge rate of 0.5%. Sales that are made with higher-cost, non-consumer cards, or those that do not meet Visa and MasterCard's conditions for lower risk, receive an additional 'non-qualified' surcharge rate of 1% on top of the qualified rate.

Discount rate fees are only charged when you process a sale or capture an authorization. They are not charged for refunds or authorizations that are never captured, since no money changes hands.

2) How do I avoid mid-qualified or non-qualified surcharge fees?

The best way to avoid surcharge fees is to comply with Visa and MasterCard conditions for lower-risk sales. CyberSource automatically helps you comply with most of these conditions, but some conditions are solely within your control. Use the guidelines in Question #4 below to ensure that you keep more of your sales by avoiding surcharge fees.

3) Why were a portion of my sales charged a mid- or non-qualified transaction surcharge fee?

A surcharge fee is most likely to be assessed for one of the following reasons:

- An online Visa transaction was captured more than 7 days after the original authorization.
- An online MasterCard transaction was captured more than 3 days after the original authorization.
- A face-to-face Visa or MasterCard transaction was captured more than 1 day after authorization.
- The captured amount was different than the authorized amount.
- The customer used a consumer rewards card.
- The customer used an international, corporate, commercial, or purchasing card rather than a consumer credit card. Note: While these usually look the same as a regular consumer credit card, in most cases, they are automatically considered non-qualified sales per Visa and MasterCard regulations.

4) What can I do to ensure that more of my transactions avoid a surcharge fee?

- Ship in a timely manner so that you may capture MasterCard orders within 3 days of original authorization and Visa orders within 7 days of original authorization. Visa/MasterCard regulations don't allow you to capture the cardholder's funds until you have shipped their merchandise.
- Calculate the total amount of the order, including tax and shipping, at the point of authorization so that the authorization amount matches the final amount you expect to capture.

FREQUENTLY ASKED QUESTIONS

5) How do you calculate and deduct the qualified discount and non-qualified surcharges fees?

Discount fees are typically assessed daily and are calculated as a percentage of your daily Visa and MasterCard gross sales (before credits or chargebacks). They are deducted from the final amount deposited into your bank account.

To calculate your discount fees, multiply your gross sales by your qualified discount rate.

Example: Qualified MasterCard gross sales is \$160
Qualified discount rate is 2.39%
 $\$160 \times 2.39\% = \3.82
Discount fees from sales would be \$3.82

Non-qualified fees, if applicable, would likely apply only to a portion of your gross sales. To calculate non-qualified fees, the non-qualified amount is multiplied by a discount rate that is 1% higher than your qualified rate. Continuing from the example above:

Example: Non-qualified MasterCard gross sales is \$20
Qualified discount rate is 2.39%, non-qualified surcharge rate is 1%
 $\$20 \times 3.39\% = \0.68
Discount fees (including non-qualified surcharge) from sales would \$0.68

The total discount fees on your MasterCard transactions for the day described above would be \$4.50 (\$3.82 qualified discount rate fee + \$0.68 non-qualified discount rate fee).

6) Where do I see how much in discount fees I'm paying?

The qualified discount rate fees appear in the Settlement/Discount section of your Merchant Statement. The statement lists the number and dollar amount of various categories of Visa and MasterCard sales.

The discount rate fee percentage is shown in the column labeled 'Disc Rate'. If your qualified discount rate is 2.39%, per our above example, you will see 2.3900 in that column. For sales that are charged an additional mid-qualified surcharge, the rate would show as 0.5% higher or 2.8900. Sales that are charged a non-qualified discount rate would appear as 3.3900 (the qualified rate of 2.39% plus the 1% surcharge). The dollar amount of the fees appears in the column labeled 'Fee Amount'. Total discount fees are shown at the bottom of the section labeled as 'Discount Collected'.