


Electronic Payments 101

Sales Training
Taking it to the Next Level!
Developed and presented by
My Carolina Pay Point



1

Introductions!

1. Name
2. Products or services sold
3. Favorite dessert
4. Why are you here?



2

What are your Expectations



© CanStockPhoto.com - csp15259669

3

What can you do to ensure that your EXPECTATIONS are met?

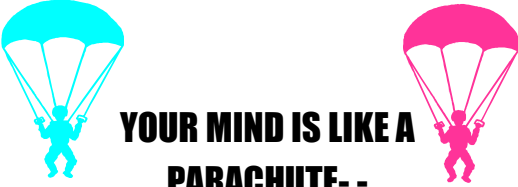
4



My Carolina Pay Point
Serving: for-profit and non-profit businesses

My Expectations

5



YOUR MIND IS LIKE A PARACHUTE- - NOT MUCH GOOD UNLESS IT IS OPEN

6



***IF YOU ALWAYS DO WHAT
YOU'VE ALWAYS DONE, YOU'LL
ALWAYS GET WHAT YOU
ALWAYS GOT***

7

***WHAT WE GET OUT OF
ANY ACTIVITY IS EQUAL
TO WHAT WE PUT INTO IT***



8

**"You cannot teach a man
{woman} anything, you can
only help him {her} find it
within him{ herself}**

Galileo

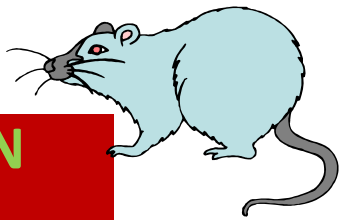
9

**“DON'T BE AFRAID TO ASK
DUMB QUESTIONS, THEY
ARE EASIER TO HANDLE
THAN DUMB MISTAKES” !**



10

**RETAIN
APPLY
TRANSFER**



11

- The Company
- The People
- The Vision
- The Support
- The Tools
- Our Customers
- The Opportunities



12

Welcome to the Credit Card Story!



13

Prehistoric Time – People Just Took What They Wanted!

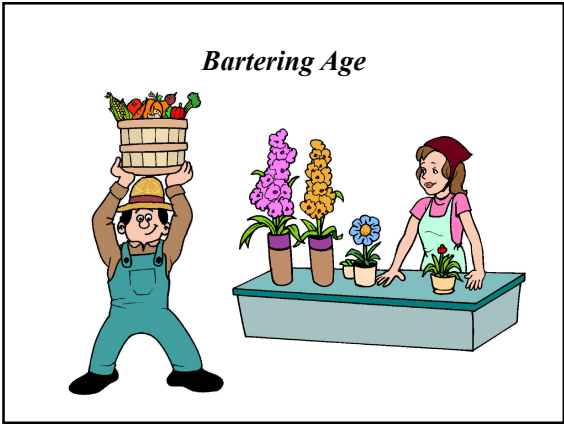


14

Sharing and Exchanging Times



15



16



17



18

Metal Coins – Gold, Silver, and Copper



19

IOU'S

Merchants extended credit to their customers based on how well they knew and trusted them.



20

Paper Money, Checks



21

1946
The First Bankcard – Charge It
Developed by John Biggins of Biggins Bank



22

1949
Diners Card



23

1951
1st Bank Credit Card issued by Franklin
National Bank - 30 days credit only



24

1958
American Express and Carte Blanche



25

1959
Introduction of Revolving Credits

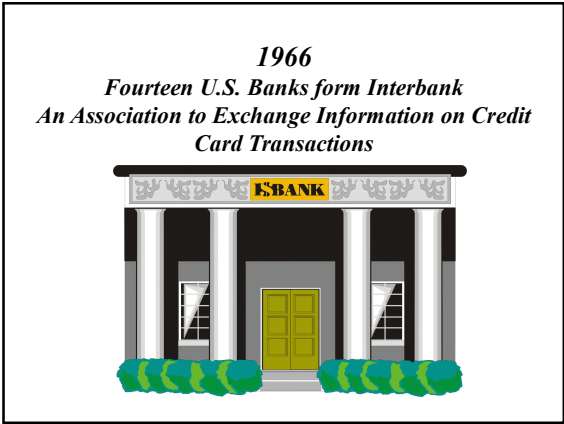


26

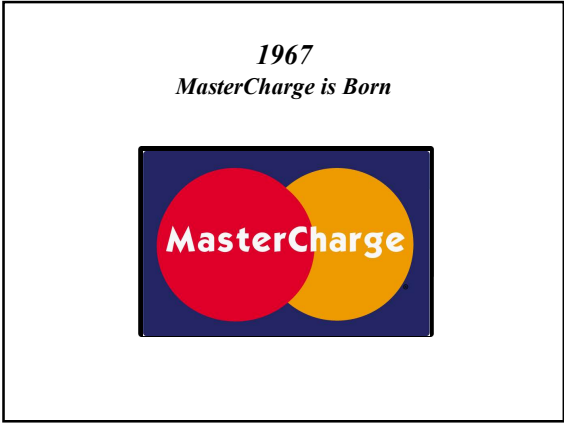
1960
Bank of America introduced the Bank Americard



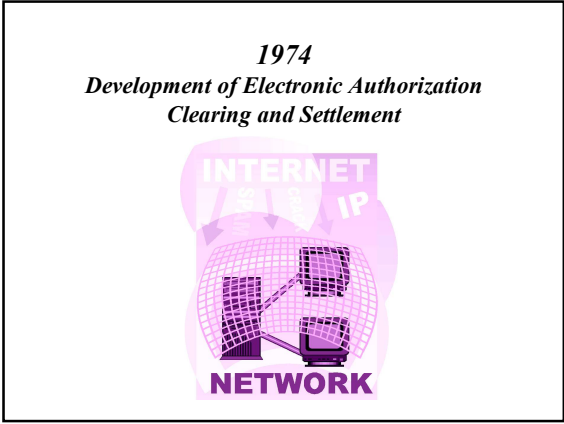
27



28



29




30

1977
Visa USA/Visa International is Formed as a result of Bank of Americard Change of Name



31

1979
Third Party Processors Start Doing Business

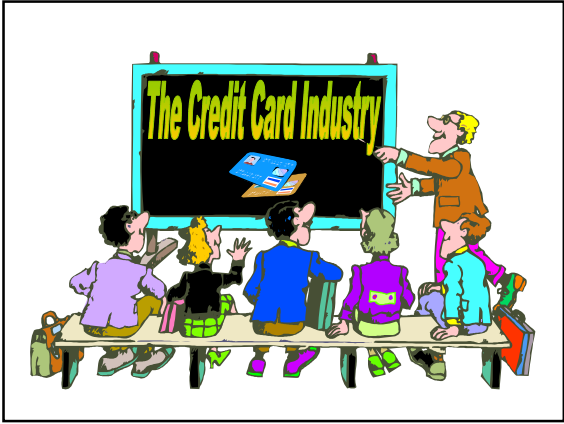


Peachtree Bankcard Corp

Harbridge Merchant Services

Card Establishment Services

32



33

History & Development

- A Dynamic, business that continues to evolve and grow.



34

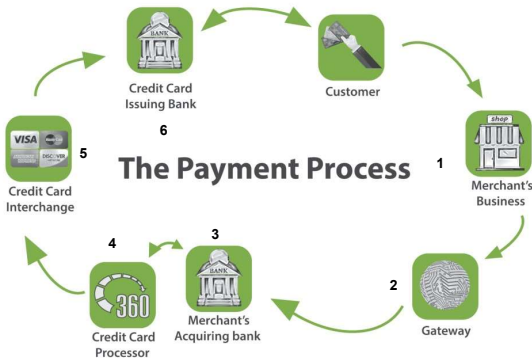
The Transaction Process

It's a six steps process from point of purchase to when the cardholder pays the issuing bank



35

The Payment Process



36

The Major Players in the Business

- The Associations – Visa and MC
- Merchants
- Acquirers
- Issuing Banks
- Sales Agents, ISO's, MSP's
- The Card Holder
- Non-Bankcard Providers – Amex, Discover, Diners, Store Cards etc.

37

The Many Different Types of Cards

- Bank Credit Cards
- Charge Cards
- Private Label Cards
- Affinity Group Cards
- Secured Credit Cards
- Stored-Value Card
- Co-Branded Card
- Smart Cards
- ATM/Debit/Check Cards

38

Other payment methods

- Pay Pal
- Zelle
- Venmo
- Square
- ACH
- Bill Pay
- Etc.

39

Credit Card Processing

- ✓ Process all Credit Card Transactions
- ✓ Visa & MasterCard
- ✓ AMEX, Discover, Diners, JCB
- ✓ Debit
- ✓ Sell & Service Equipment
- ✓ 24 Hour Customer Service
- ✓ Charge Back Assistance
- ✓ Interface with most Major Front End Networks
- ✓ Certified on most POS Systems
- ✓ Full Disclosure of all Fees

40

UNDERWRITING and RISK

The primary duty of the Underwriting Dept. is to ensure that sound credit decisions are made in accordance with established policy.

41

WHO DETERMINES POLICY?

The Sponsor Bank
The Credit Committee
Executive Mgmt
MasterCard and Visa

42

WHAT IS THE OBJECTIVE?

- To determine that the Merchant is financially responsible and will abide by MasterCard and Visa regulations
- Ensure risk doesn't exceed return
- To determine that the Merchant has never been terminated by another processor
- To prevent fraudulent applications from being approved.
- To prevent potential loss to ISO and the sales groups

43

RISK EVALUATION MODEL

- Average Ticket
- Method of Sales
- Creditworthiness
- Merchant Statements from current processor
- Very low risk merchant
- Home Ownership
- Existing Relationship with MCPP

44

OTHER FACTORS THAT MAY BE CONSIDERED

- New Business Deduction
- Existing Business Providing Fewer than 3 consecutive statements
- Restaurant, Hotel; or Average ticket <\$50 (If 100% card swiped)
- Personal Guaranty of owner (If not signed, risk factor determines deduction)

45

Risk factors cont'd

- Financial Statements of Business or Personal Guarantor (points Based on net worth)
- Length of time in business/current owner
- Publicly traded company in good standing
- Non-profit organization
- Other factors deduction or addition to include Reserves, Holds, CD's, Etc.

46

TOOLS USED IN CREDIT INVESTIGATION

- Credit Report
- Personal Financials
- Business Financials
- Merchant Processing Statements
- Dun & Bradstreet Reports
- Better Business Bureau
- MasterCard Terminated Merchant Report
- Criminal Background Investigations

47

TOOLS USED IN CREDIT INVESTIGATION CON'T

- Brochures & catalogs
- The Internet
- Organizational Meeting Minutes
- Articles of Incorporation
- Various partnership, LLC, corporate agreements
- Business license
- Current annual report / 10Q Publicly traded

48

**LOW/NORMAL RISK
EXAMPLES**

- Restaurants
- Motels/hotels
- Retail (face to face / card swipe) such as shoe stores, liquor stores, etc.
- New car dealerships
- Grocery or convenience stores
- Pharmacy

49

**HIGHER RISK ACCOUNTS DUE TO
FUTURE DELIVERY OR INDUSTRY**

- Jewelry
- Furniture stores
- Computer stores
- Limousine
- Memberships
- Carpet Stores
- Construction
- Cellular Phones
- Used car sales (not part of dealership)

50

HIGHER RISK MO/TO

- Magazines, Subscriptions, newsletters
- Vitamins
- Ticket sales (concerts, theatre, etc)
- Golf clubs / products
- Any product or service sold by mail, telephone, or the Internet

51

MERCHANTS THAT ARE DIFFICULT TO GET APPROVED

- Magazines
- Seminars
- Time Share
- Multi Level
- Bail Bonds
- MO/TO Golf clubs / products

52

PROHIBITED MERCHANTS

- Audio Text
- Adult Internet
- Illegal Activities (Escort services, etc.)
- Collection Agencies
- Merchants soliciting with Sweepstakes or deceptive offers of merchandise or cash

53

WHAT'S TAKING SO LONG?!

- Incomplete application or documentation
- Unreadable application or documentation
- Misrepresentation of information on application
- Higher risk account needing more detailed review

54

TOP REASONS FOR PENDING

- Need additional merchant statements
- Future delivery clarification needed
- Signature on back does not match owner information on front of application
- Altered agreement
- Witness Signature missing
- Required documents missing (MO/TO)
- Website not complete
- Personal and/or Business Financials missing

55

DECLINING A MERCHANT

- Does not meet minimum score due to creditworthiness, processing method, etc.
- Missing information which doesn't allow us to complete review
- Chargebacks in excess of 1%
- Returns/Credits in excess of 10%
- Positive match on Terminated merchant report
- Not based in U.S. (Exceptions)
- Convicted of a felony
- Risk greater than potential income of account

56

THE GOOD NEWS

Underwriting actually declines less than 5% of applications submitted



57

The Underwriting Department's purpose is to support sales by approving quality merchants in a timely manner, therefore building a strong portfolio for both you and ISO.

58

My Carolina Pay Point

Unique Differences !!!!

- The Sales Agent
- Financial Security
- Customer Service and Support
- Technology
- The Special People

59

Benefits to Merchants

- Cash Flow
- Happy Customers
- Convenience
- Speed
- Easy record keeping
- Increased Revenue



60

Analyzing Statements

- Know Statement
- Sell the Value of the Statement
- What to look for in Competitor's Statements
- Formulas to remember

61

ANALYZING STATEMENTS

- Find the qualified rate
- Are there surcharges to non - qualified transactions?
- What other fees are there?
- What is cost?
- Determine if rate is bundled or unbundled

Objective is to save merchant money
Reduce costs = Increase in net profits

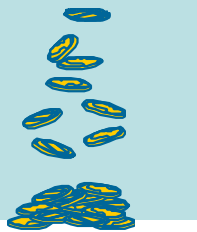


62

EQUIPMENT PRICING


CPP offers equipment to merchants 2 ways:

- ◇ Sale of Equipment
- ◇ Leasing of Equipment
- ◇ Free Equipment???



63

BANKCARD PRICING



Interchange & Assessments

Practice working with Formulas

Compensation

The Pricing Grid

64

A Discount Rate

- Merchants pay a % of every card transaction – This is called their discount rate
- Discount rates can be bundled or unbundled
- A bundled rate is a flat %
- An unbundled rate consists of a % + a transaction fee.

65

Pricing Cont'd

A discount rate is made up of 4 components

- Interchange** – The fee paid to the issuer by the acquirer. It is the cost of funding the exchange of information & transaction data among banks. Discount per Item (DPI) – A fee introduced into the interchange system in April '99 Visa-\$.10 MC-\$.10
- Assessments** – The portion of the discount rate that is paid to the Visa/MC associations
- Costs** - CSR, Networks, Commissions, Salaries etc.
- Revenue** – Profits after all other components are deducted.

66

Pricing Cont'd

- Interchange – There are more than 91 different levels of interchange. The Most Common are:
 - Qualified – Any transaction where the card is present and swiped at the terminal, electronic authorization received and a signature is obtained. – Tier 1
 - Mid-Qualified – Card is present but not swiped and a signature is obtained. Etc. - Tier 2
 - Non Qualified – Any transaction that does not meet CPS retail or Merit III requirements. – Tier 3

67

Pricing Cont'd

- What is a Basis Point? - A fraction of 100%
 - 1 Basis Point = .01% = 0.0001
 - 10 Basis Pts. = 0.10%
 - 100 Basis Pts. = 1%
- (Basis Points are added to our cost to reflect profit)*

68

Pricing Cont'd.

Cost is made up of 2 different elements

e.g.

Interchange/DPI & Assessments

Visa – 1.43% + 0.084% + \$0.10

MasterCard – 1.43% + 0.095% + \$0.10

Network Access Fee – cost varies

See Pricing Schedule


Costs to Agents do not include ISO overhead costs.

69

Pricing


Bundling and
Unbundling
Discount Rates

Important Formulas



70

PAPERWORK



71

Importance of Paperwork

- It is a legal contract
- It determines how the Merchant is set up
- It tells which bank account to deposit the \$\$\$
- It contains personal, private and confidential info

72

How do You Fit in?

The Impact of your performance on...

- The Bottom Line
- Colleagues
- Clients
- Supervisors
- Economy
- Etc.



73

Review & Evaluation



74

Closing Remarks

Thank You!

75