



Convenience Fees

October 2009

Agenda

- What is a surcharge?
- How does VISA/MC define a Convenience Fee?
- VISA Convenience Fee General Rules
- VISA Tax Payment Program rules
- MC Convenience Fee General Rules
- MC Registration Program for Government and Education Merchants
- Guidelines for Education and Government merchants

Objectives

- Participants in this training should be able to:
 - Recall the Association rules surrounding surcharging and convenience fees
 - Describe Visa/MC Definitions of a Convenience Fee
 - Identify the VISA Tax Payment Program
 - Identify the MC Convenience Fee Rules

Surcharge Definition

A surcharge is...

- A charge assessed by the merchant to the consumer for the payment service itself. (VISA)
- Any fee charged in connection with a transaction that is not charged if another payment method is used. (MasterCard)
- “Surcharges are prohibited by both VISA and MasterCard but merchants are allowed to offer a Discount for Cash*”

Convenience Fee Definition

- Per VISA, a convenience fee can be levied for a cardholder's use of a special service rendered at the time payment is made. Unlike a surcharge, a convenience fee is not a charge for the payment service itself, but is a fee linked with the transaction such as the use of a Voice Response Unit (VRU).
- Per MasterCard, a merchant is permitted to charge a fee (such as a bona fide commission, postage, expedited service or convenience fee, and the like) **if** the fee is imposed on all like transactions regardless of the form of payment used.

Convenience Fee – Visa General Rules

- Merchant must provide bona fide convenience in the form of an alternative payment channel outside the merchant's customary payment channels.
- The alternative payment channel must be in a non-face-to-face environment. (Normal non face to face merchant may NOT charge a convenience fee)
- Convenience fee must be included in the transaction (cannot be a separate transaction).
- Convenience fee must be disclosed to the customer prior to the completion of the transaction.
- Consumer must have the ability to cancel the transaction if they do not want to pay the convenience fee.
- The same convenience fee must apply to all forms of payment accepted in the alternative payment channel.
- The convenience fee must be a flat or fixed amount regardless of the amount due to the merchant for goods and services purchased.

Convenience Fee Rules (VISA) cont...

NOTES:

- Visa Utility Payment Program merchants are Excluded from charging convenience fees.
- Recurring payment transactions are ineligible from charging convenience fees.
- Merchant must provide actual goods and services to a cardholder to be able to charge a convenience fee.
- A convenience fee may not be charged by ANY third party.

VISA Convenience Fee Program Tax Payment Program and Registration

MCC 9311

- Must be Registered with VISA
- Only federal and state income, federal and state small business, and personal real estate and other property tax payments are eligible
- Licenses, fees, registrations, and other government payments are not eligible
- Participating merchant can assess a variable fee for Visa consumer and commercial cards.
- A Flat Fee can be assessed on Visa Signature debit cards, NOT to exceed \$3.95.
- The sale must be billed separately from the convenience fee.
- As a result of the restrictions on Visa Signature Debit card transactions, Visa will bill a flat Interchange fee of \$2.50 on qualified signature debit card transactions.
- A convenience fee of less than \$4.00 on a signature debit transaction will be billed a Zero Dollar interchange fee, if CPS qualification is met

Convenience Fee – MC General Rules

- Fees must be properly disclosed to the cardholder in advance.
- The fee cannot discriminate against or discourage the use of MC cards in favor of any acceptance brand deemed by MC to be a competitive brand.
- The payment of goods/services and convenience fee may be combined into a single transaction or submitted as two separate transactions, except for merchants participating in the MasterCard Utility Interchange (MCC 4900)
 - The convenience fee must be billed as two separate transactions

MasterCard Convenience Fee Program Registration Requirements

- The MasterCard Convenience Fee Program enables participating education and government merchants in the U.S. region to assess MasterCard cardholders a convenience fee, provided the merchant is registered by MasterCard.
- MasterCard requires that the fee be properly disclosed to the cardholder in advance and that the fee does not discriminate against or discourage the use of MasterCard cards in favor of any acceptance brand deemed by MasterCard to be a competitive brand (i.e. Visa, Amex, and Discover) transactions.

MasterCard Convenience Fee Program for Registered Government and Registered Education Merchants

- Registered government merchants may apply a convenience fee to any transaction. Registered education merchants may apply a convenience fee only to tuition and related fees and school-maintained room and board transactions.

MasterCard Convenience Fee Program

- “Participants that store or process MC Account data for Internet-based transactions must provide evidence of compliance with the MasterCard Site Data Protection (SDP) program’s underlying Payment Card Industry (PCI) Data Security Standard to their acquirer. Evidence of compliance must include a successful quarterly scan report from a MasterCard approved scanning vendor and a compliant annual self-assessment questionnaire.
- Participants using a third-party agent for storage and processing of MasterCard account data must indicate this information on the registration form so MasterCard can ensure that the agent is SDP compliant.
- Registration of PCI compliance is an annual requirement.”

Only eligible MCCs for the MasterCard Convenience Fee Registration Program

- 8211 (Schools, elementary and Secondary)—the fee may only apply to transactions for tuition and related fees, and school-maintained room and board
- 8220 (Colleges, Universities, Professional Schools, and Junior Colleges)—the convenience fee may only apply to transactions for tuition and related fees, and school-maintained room and board
- 9211 (Court Costs including Alimony and Child Support)—the convenience fee may apply to any transaction
- 9222 (Fines)—convenience fee may apply to any transaction
- 9311 (Tax Payments)—the convenience fee may apply to any transaction
- 9399 (Government Services—not elsewhere classified)—the convenience fee may apply to any transaction

Reality Regarding Surcharge and Convenience Fees

Merchants must know that if a convenience fee or surcharge rule is broken—they may be reported by a card holder for their practices and lose the ability to accept credit cards in the future (for continued non-compliance).

- Rules related to surcharge and convenience fee assessments are outlined in the Visa/MC public websites

Merchants who Violate Surcharge or Convenience Fee programs

- Cardholders contact their Issuing bank to report the infraction
- The Issuing bank then contacts Visa / MasterCard who in turn issues a violation
- The Acquirer is then responsible for investigating the complaint with the merchant and making the determination as to whether a Violation occurred.
- If a violation occurred, the acquirer must ensure the merchant is aware of the rules and must ensure the merchant will be compliant.
- Results from the investigation are forwarded to the Association's.



Questions?

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Thank You!

