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# Ideal Rates and Fees for Merchant Account

Have you ever wondered if what you know about Merchant Account is accurate? Consider the following paragraphs and compare what you know to the latest info on Merchant Account.

If you are a business owner who wants to accept credit card, debit cards, gift cards and other forms of card payment for goods and services, you must apply for a merchant account or widely known as payment processing or credit card processing. This type of service is not provided free and offered only to business owners with outstanding credit history. To succeed in this mode of payment, you need to understand certain specifications regarding its applicable rates and fees. For starters, it may sound complicated but as you go through same transactions each day, things will get familiar to you. Here are few merchant account jargons you'll encounter.

#### Monthly and Interchange fees

The merchant account provider has the discretion in applying the monthly fees. Visa and MasterCard set a schedule of rates called Interchange fees wherein greater part of the per-item and percentage fees passes through the provider to the issuing bank. All transactions occurred are categorized into an interchange category according to the kind of card used for each transaction and its circumstances. An example to this are the transactions made in the credit card terminal through swiping and the transactions made manually, these two are categorized differently.

A transaction made through a reward card is also different with the transaction made using a standard card. When this various customization sum up, there are 130 categories with different rate. Then, from the 130 categories, merchant account providers group these into 3 to 6 categories, each with a single rate. The rates are based on the average interchange rate expected for each category with an additional markup.

#### Qualified rate

If you find yourself confused by what you've read to this point, don't despair. Everything should be crystal clear by the time you finish.

When a customer pays thru a regular customer credit card, it will be processed as "standard" by the merchant account provider. The applicable rate to be charged is called a qualified rate, the lowest rate a merchant will gain in accepting a credit card. This applies to both internet transactions and physical retail swiped through in an ordinary manner and used a regular customer credit card.

#### Mid-qualified rate

But what if a credit card is keyed into the terminal instead of being swiped? Or the customer used a rewards card or business card? What is the rate to be charged to you when you transact these payments?

When these happen, mid-qualified rate is the applicable rate for the transactions. This rate is also known as partially qualified rate. Merchant account providers gain a lot of profit from the transactions made under this rate. It is usually 1.50% - 2.50% higher than a qualified rate and only cost 0.30% - 0.50% more in interchange cost. Since reward cards are so common nowadays, it is probable that there is 15 – 40% transactions made everyday falls under the mid-qualified rate.

#### Non-qualified rate

The most wounding charged rate by the merchant account provider is the non-qualified rate. Transactions that did not fall as qualified and mid-qualified will be considered a non-qualified rate. It is the highest percentage rate with 2.00% - 2.50% qualified rate and costs only 0.50% - 1.50% higher in interchange costs. This rate is applied for special kind of credit card such as business card when all required fields are not entered. Or when the customer's card is keyed into a credit card terminal than swiped and address verification is not performed.

In case of unsettled daily batch within the allotted time frame, transaction made thereafter are also charged with a non-qualified rate.

Sometimes it's tough to sort out all the details related to this subject, but I'm positive you'll have no trouble making sense of the information presented above.

About the Author

By Anders Eriksson, feel free to visit his Perpetual20 training site for great bonuses: [Perpetual20](#)

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