

InterPayments Surcharging Compliance Recommendations

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InterPayments recommends the following procedures for surcharging merchants. These recommendations are used by all our customers to maintain an elegant customer experience and remain compliant with compliance regulations.

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General

You must notify customers of your intent to surcharge credit card transactions. Any text you use needs to get three points across to your customer:

1. You as the merchant are charging this fee, not the credit card company
2. The fee is not more than the cost of accepting the customer's card
3. You can avoid the fee if you choose an alternative payment method such as a debit card, ACH, check, etc.

No Surprises!

As discussed below, different payment channels have specific disclosure types. The surcharge should never be a surprise and there must be alternative payment methods to avoid the surcharge. The merchant must clearly notify the customer of an impending surcharge during the purchasing process prior to the first time the customer sees the card brand logos.

Transparency.

The surcharge amount must always be separately listed on a checkout page or receipt. Additionally, you must include the surcharge in the transaction total as one transaction; it's not collected separately. On a checkout page or receipt, most merchants list the surcharge as a "Transaction Fee" below the subtotal, shipping, and discounts, and sales taxes.

Refunds.

When a transaction is refunded, the surcharge must also be refunded. In the case of a partial refund, the merchant should refund the prorated surcharge amount. This can be accomplished by using the percentage of the amount refunded to calculate the amount of the surcharge that is refunded. For example: if 75% of an order is refunded, then 75% of the surcharge also needs to be refunded.

Fairness.

Card brands require "a level playing field"; this means a merchant must treat all credit card brands the same. A merchant may choose to waive or discount a surcharge but may not do so based on the card brand or card issuer. For example, it would be non-compliant for a merchant to choose to surcharge American Express cards but to not surcharge Visa cards based only on the card brand.

Surcharge as One Single Transaction, But Separate Line Item

The surcharge must be a separate line item on the customer receipt, like sales taxes or shipping charges.

The surcharge fee receipt line item must be labeled with text. Examples of acceptable text:

- Credit Card Processing Fee
- Transaction Fee
- Credit Card Transaction Fee

The text for the line item label must be the same size and font as the other text on the receipt.

Zip Code & Surcharging

InterPayments recommends the following:

- Card Present transactions will all be configured for surcharging based upon the location of the payment acceptance
- Card Not Present transactions will all be configured for surcharging based upon the cardholder's billing zip code

Explanation: **In short, the place where the customer pays for the good/service is the point of interaction.** Geographic surcharging determination refers to the "point of interaction" of the transaction per card brand rules. Additionally, the terms Card Present and Card Not Present are defined by the card brands. The point of interaction is summarized for:

- Card Present transactions is the location of the store where the card accepted
- Card Present transactions that are shipped to another location remains the location of the store where the card is accepted
- Card Not Present transactions are all billing zip code

Electronic Commerce Transactions

Surcharging Disclosure

The disclosure can be text anywhere in the checkout journey or a pop-up notice near the Notice of surcharging needs to be shown to the customer at or before the first time the Visa and or MasterCard logos are shown.

Customers must always have the option to cancel a transaction before they see the surcharge notice disclosure text.

Visa requires text notices must be on or before the first page that references the credit card brands accepted, in a minimum 10-point Arial font, but in any case no smaller or less prominent than surrounding text.

Surcharge Amount/% and Line Item Notification or Description

Visa requires the cardholder see the exact amount or percentage of the surcharge before authorizing payment.

If a customer cannot cancel the transaction before the surcharge amount is known, you must display text on or before the first page that displays either the (i) credit card logos or (ii) the payment card information.

Examples of acceptable descriptive text*:

For B2C sellers

- *(Option 1) To provide you the highest quality products at competitive prices, we may apply a fee to credit cards to cover all or part of our costs of accepting your credit card.*
- *(Option 2) Due to the increasing cost of credit card processing, we may apply a fee to credit cards.*
- *(Option 3) Due to the increasing cost of credit card processing, we may apply a fee to credit cards so we can maintain competitive prices for everyone.*

For B2B sellers

- *(RECOMMENDED - Option 1) We may apply a fee to cover all or part of our costs of accepting your credit card.*
- *(Option 2) Due to the increasing cost of credit card processing, we may apply a fee to cover all or part of our costs of accepting credit cards.*

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- *(Option 3) Due to the increasing cost of credit card processing, we may apply a fee to credit cards so we can maintain competitive prices for everyone.*

*If a Cardholder is given an explicit option to choose Debit or Credit and those options are separated by buttons, dropdowns, menus, etc., then the example text options above must also add:

"No fees are applied to non-credit card payment methods."

Optionally, **InterPayments** recommends the line item also have a description explaining to the customer what the fee is. Most merchants explain the fee using text placed above or below the payment fields, an asterisk referencing a footnote, or a tool tip that pops up text when the mouse is on the field.

Phone Sales

Agents taking orders over the phone or via chat windows should notify customers of an impending surcharge PRIOR TO accepting the payment method. The surcharge fee notification must happen early enough in the payment process that the customer always maintains the opportunity to cancel the transaction without penalty.

InterPayments recommends the following example surcharge notification verbiage for the telephone order agent. The language will differ depending upon whether the agent knows the exact surcharge amount or not before accepting the customer's credit card information. Examples are provided below.

- Option 1: If the agent does NOT know the surcharge amount prior to accepting the card
We may apply a fee to cover all or part of our costs of accepting credit cards.
- Option 2: If the agent knows the surcharge amount prior to accepting the card
We apply a fee to cover all or part of our costs of accepting credit cards. Your fee is \${{}}.

At that point, the cardholder can choose a non-surchargeable payment method or accept the surcharge.

Point of Sale (in person - card present)

You may create your own preferred signage so long as you maintain the basic requirements of size and message explained below. The purpose of your signage is to make sure your customer is never surprised to find the surcharge fee on their receipt.

When processing card present transactions, state laws and card brand regulations state the merchant need not interrupt the customer's payment workflow to ask for surcharge approval. This is because the customer has already been properly informed by the signage.

Two Forms of Signage

The credit card companies require a merchant to display TWO signs notifying a surcharge:

1. At the entrance of the store: Display a sign at the entrance to the business that says that credit card purchases will be subject to a surcharge by the Merchant. A sign must be posted at the Main entrance(s) of the Merchant Outlet, in a minimum 32-point Arial font, but in any case no smaller or less prominent than surrounding text.
2. At the checkout register: Display a sign at the register that says that credit card purchases will be subject to a surcharge by the Merchant. The sign at each

register should be in a minimum 16-point Arial font, but in any case no smaller or less prominent than surrounding text.

InterPayments recommends merchants place a sign at the Main entrance of the location and a Point-Of-Sale ("POS") register sign, each with the following text:

Thank you for your business!

To provide you the highest quality products and services at competitive prices, we may apply a fee to credit cards that is never more than our cost of accepting your credit card. You can avoid those fees by paying with any other payment method such as cash or debit cards.

Card Present: attended or unattended cardholder activated terminal or Tablet-based POS

You must provide two notices in this scenario:

- At the entrance to your establishment, as documented above
- On the payment screen, as documented below

Customers paying on an Unattended Cardholder-Activated Terminal or a Tablet-based POS device in which the customer is actively viewing the payment screen must receive a virtual disclosure on the payment terminal screen. The disclosure must notify the customer that the transaction will be charged a surcharge if payment is made using a credit card. The notice needs to be a minimum 16-point Arial font, but in any case it must be no smaller or less prominent than surrounding text.

Suggested disclosure text options:

- *"If you choose to pay by credit card, there may be a processing fee applied to this order. The fee is less than our cost associated with accepting your credit card. It will never be more than four percent. There is no fee when using a debit card or cash."*
- *"There will be a processing fee applied to this order for the use of a credit card. The credit card processing fee is less than our costs of associated with accepting your credit card. It will never be more than four percent. There is no fee when using a debit card."*

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Email Notice to Existing Customers in Advance of Surcharging

InterPayments recommends emailing your existing customers at least 2 weeks in advance of the launch of your impending surcharge program. This reduces surprises and ensures customers have time to create alternative payment methods if they want to avoid the surcharge. Example of a notice:

MONTH DAY, YEAR NOTICE DATE

Dear Valued Customer,

For the past several years, [COMPANY NAME] has been absorbing all processing and transaction fees related to payments by credit card. Unfortunately, banks across the country continue to raise their credit card processing costs on merchants everywhere.

We do not want to raise our prices to accommodate these increases. Instead, effective MONTH DAY, YEAR, we will begin adding a credit card processing fee for payments made using any brand of credit card.

- If you want to avoid the fee, simply choose to pay by any other payment method, including debit card, e-check, ACH, wire transfer or cash (at your local location).
- The fee is not greater than our expenses associated with accepting credit card payments. By law, [COMPANY NAME] cannot profit from this fee.
- Where prohibited by state law, [COMPANY NAME] will waive the credit card processing fee.
- [COMPANY NAME] will notify you of a possible surcharge prior to payment authorization.

We appreciate your partnership and in helping us share the burden of these cost increases.

Thanks,

[COMPANY NAME]

Recurring Billing

A merchant which has recurring billing models that automatically charge a card on file may begin adding surcharges to the recurring bill but only after giving the customer sufficient notice.

New Customers or Customers Changing their Recurring Billing Terms

The normal disclosure rules above that apply to the initial purchase are sufficient notice that the subsequent billings will also include the surcharge fee.

Existing Customers on Recurring Billing Terms

For customers that already have a card on file and have a current recurring billing model in place, the customer needs to be notified at least twice of the new fee.

- The first notice needs to be sent to the customer at least 60 days prior to the change being implemented.
- The second notice needs to be sent to the customer at least 30 days prior to the change and at least 30 days after the first notice.

For new customers that sign up for recurring billing within the 60-day notice period, there must be a notification upon sign-up that indicates that there will be a surcharge for credit card payments starting on the specific date when surcharging will begin.

Recurring Billing Notice Delivery

The customer notices may be delivered by physical mail or by email if the customer has agreed to receive notices by email. The notices may be sent as separate mailings or may be included on or in with the normal periodic statements. If sending separate notices, the merchant should make sure to send the notices to the customer by the same channels that the customer has elected to receive other notices and / or statements. When including the notice with the statements, the text of the notice should be at least the same size and font as rest of the document.

Posting a message on the company web site is not sufficient customer notice for a change of billing terms.

Recurring Billing customer notice verbiage

The language for notification to your recurring payment customers is the same requirements you would have for any other change to billing procedure. For example, suppose you raise your monthly rate for recurring dues payments. Your customer has agreed to allow you to automatically bill his credit card for a particular

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amount so he needs to be notified that the billing is going to change with sufficient time to make changes or cancel if he does not agree with the changes.

The information that must be included in the notice is:

- When the change will start
- What is changing
- How the change will impact the customer's billing

InterPayments recommends you also:

- Clarify the purpose of the change
- Explain if the customer has any options
- Note the deadline for the customer to make changes or cancel if they choose

InterPayments also recommends that the notice messages also include instructions for how to change to a non-fee form of payment such as debit or ACH etc.

Recommended messaging example:

"Due to the increasing cost of credit card processing, we will begin adding a fee for payments that are made using a credit card on [MONTH DAY, YEAR]. This fee is not charged to any other form of payment, such as debit cards or ACH. The fee is less than our cost of accepting your credit card; it will never be more than four percent. If you would like to avoid the fee, please review your account settings at XX and update your payment information. Please make any changes to your billing information at least XX days prior to your billing date. Thank you!"

Summary:

Remaining in compliance is about treating customers fairly with proper notice and treating the card brands equally.