



Credit Card Process

Using a Payment Gateway and Merchant Account

Payment Gateway vs Merchant Account



If you want to sell something online you need both a payment gateway and a merchant account. But, do you know the difference between a payment gateway and a merchant account? If you don't, setting up an e-commerce website can get confusing and you could get hit with unexpected fees.

What is a payment gateway?

A **payment gateway** is the service that processes credit card transactions for you. When your customers are buying something from your online store they enter their credit card numbers during the checkout process. Your e-commerce site sends that credit card information to your payment gateway to authorize the transaction and process the payment. If the credit card information submitted to the payment gateway matches the information on file with the credit card company and the charge is approved the payment gateway will then transfer the money from your customers credit card into your merchant account.

What is a merchant account?

Everybody talks about payment gateways but merchant accounts are really the more complicated of the two. The **merchant account** is basically an online bank account that will temporarily hold your money (you are the merchant) until it is moved into your actual bank account. After a successful sale, money will be transferred into your merchant account and it will sit there for a few days, usually between 2 and 4 days, then, in most cases, it will automatically be transferred into your bank account – the one that you actually think of as your bank account where you deposit checks and so forth. You can sort of think of your merchant account as a **temporary holding tank** for the money that comes in from online sales.

Dedicated vs aggregate merchant accounts

There are two different types of merchant accounts. A **dedicated merchant account** is an **account set up just for you**, the merchant. This is like your very own online bank account set up just for your online business. If you set up an account with a payment gateway like **Authorize.net** or **PayLeap** you will also get a dedicated merchant account. With a dedicated merchant account **you can often negotiate custom rates for your sales**. The rates are based on the volume of sales you process and the types of products you sell.

If you like the idea of having more control over your money and the ability to negotiate custom rates, you may want a dedicated merchant account. To get a dedicated merchant account you and your company will need to go through a **fairly in depth credit check and underwriting process**. This takes time and involves faxing over bank records and other information about yourself and your business.

Dedicated vs aggregate merchant accounts

An **aggregate merchant account** is one where **your money gets dropped in a pool** with a large number of other companies. **Stripe** and **PayPal** are examples of services that provide aggregate merchant accounts. You still need to provide some information about your company and the types of products you intend to sell, but **the process of getting connected with an aggregate merchant account is far less complicated and faster**. The downside is you have **a little bit less control over how long it takes to get your money and you generally can't negotiate the rates**.

Getting your money

With a **dedicated merchant account** most of the time will get your money in about **2 days**. That means 2 days after the sale on your website, the money will be sitting in your normal, business bank account. With an **aggregate merchant account** it will **usually take longer**. For example, Stripe holds your money for 7 days before transferring it into your bank account. **PayPal will hold your money in your PayPal account indefinitely** until you either spend the money by paying for something with the money in your PayPal account or you request the money to be transferred to your bank account. **Once you request the money to be transferred, it takes about 5 business days to arrive in your bank account.**

Dedicated Merchant Account Services

Click Below to Activate Video



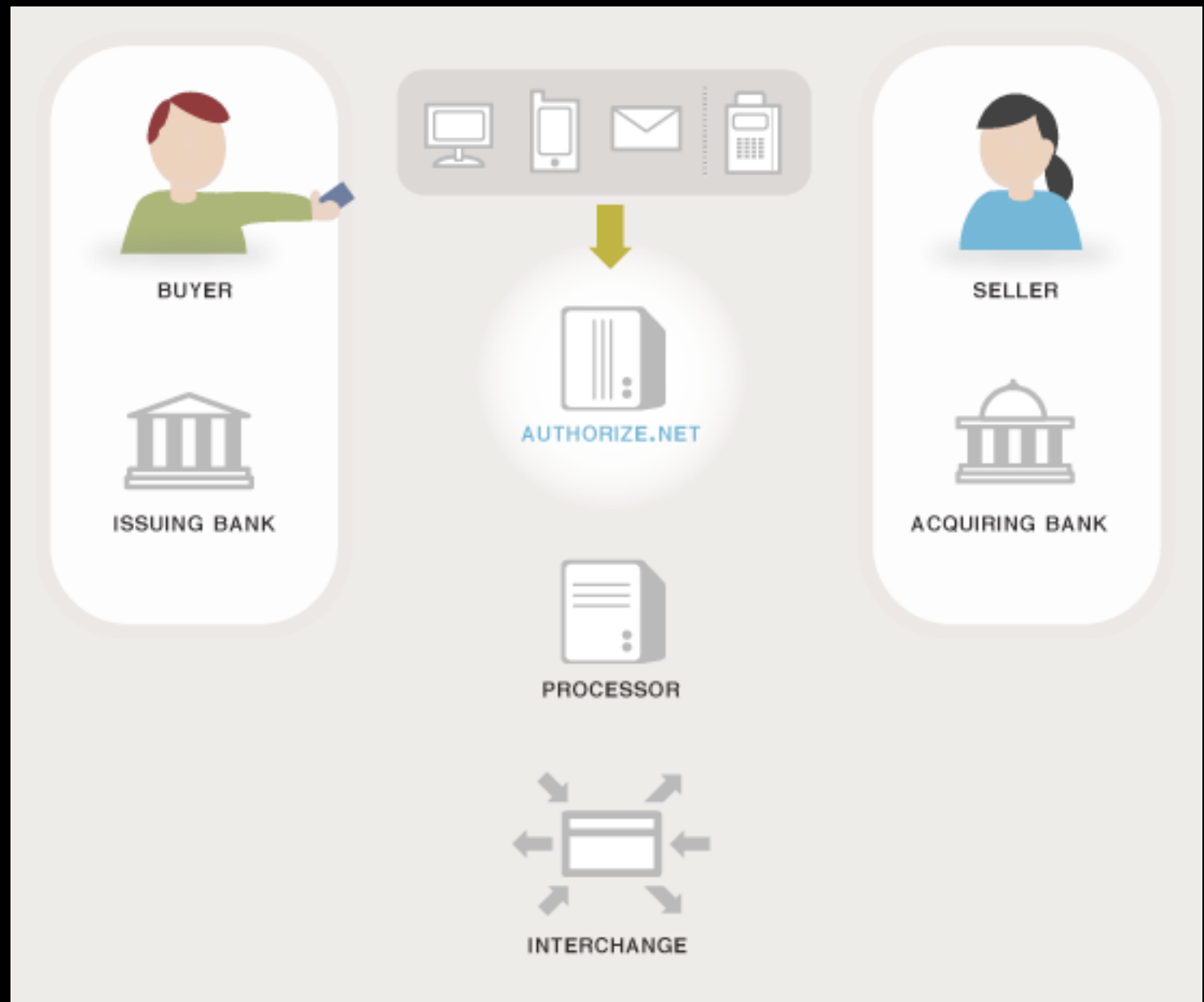
Dedicated Merchant Account Process: Step 1

The customer submits his credit card for payment.



Dedicated Merchant Account Process: Step 2

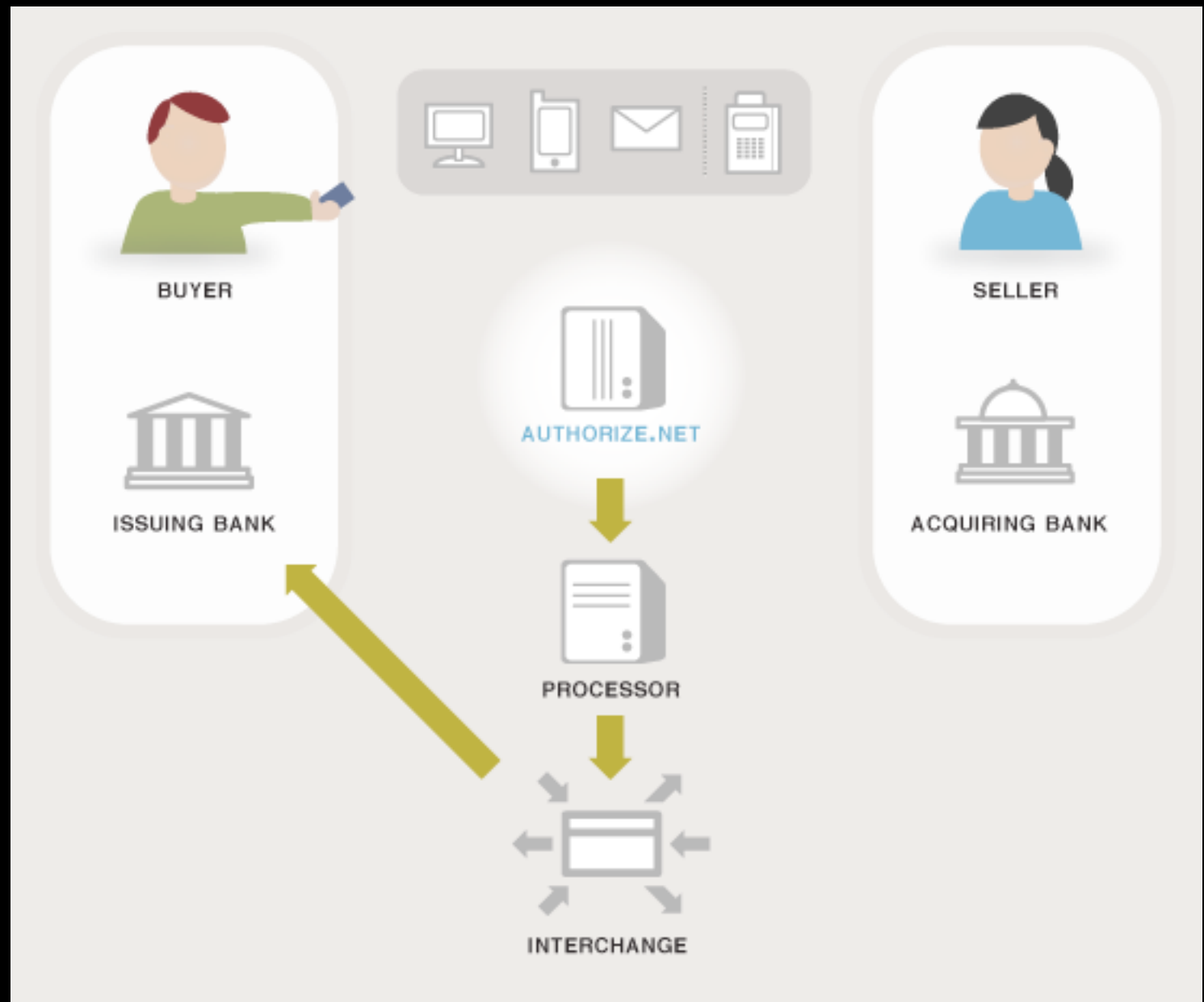
The Payment Gateway manages the complex routing of the data on behalf of the merchant through the following steps/entities.



Dedicated Merchant Account Process: Step 3

The Payment Gateway passes the secure transaction information via a secure connection to the Processor.

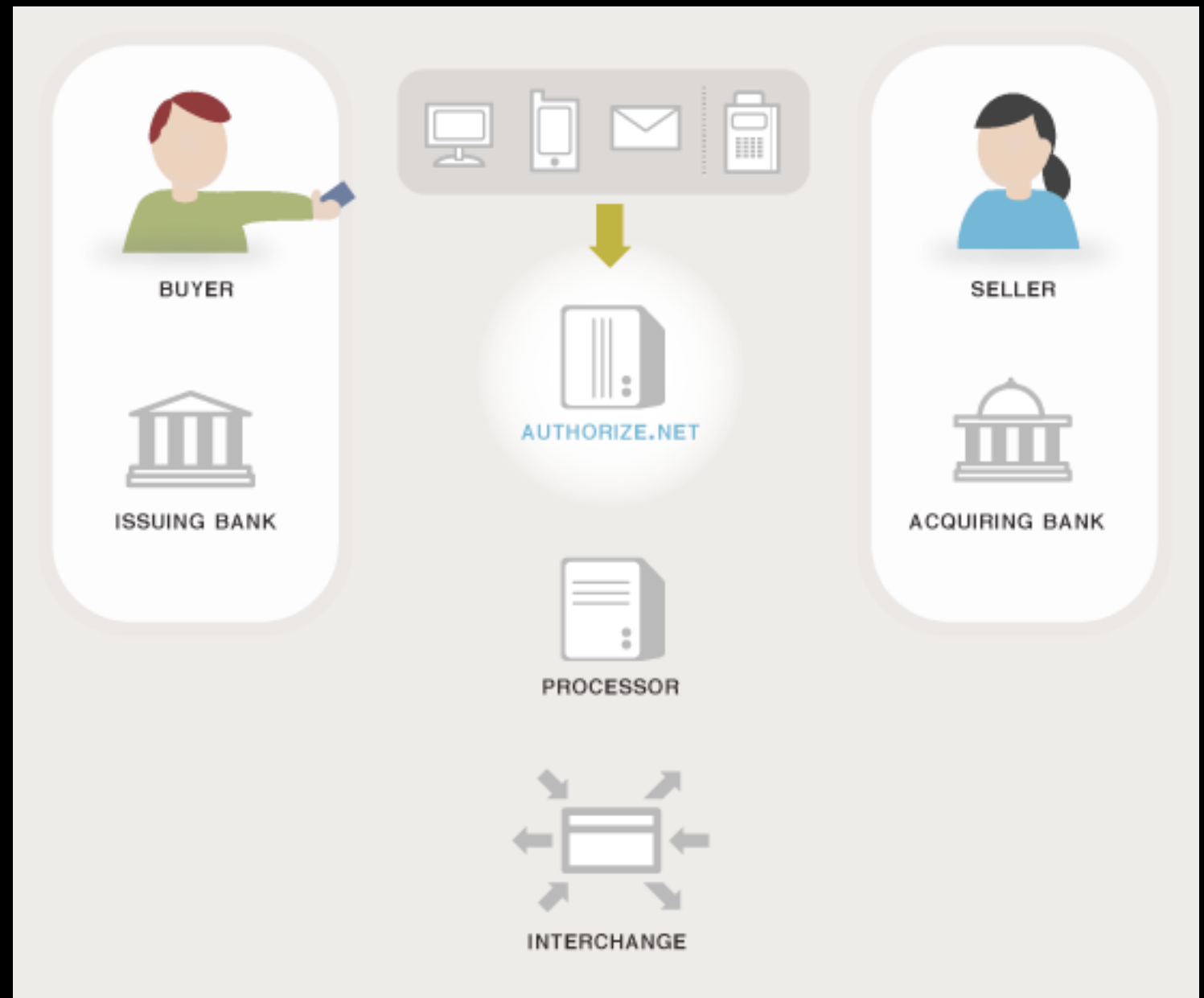
The Merchant Bank's Processor submits the transaction to the credit card network (like Visa or MasterCard). The credit card network routes the transaction to the bank that issued the credit card to the customer.



Dedicated Merchant Account Process: Step 4

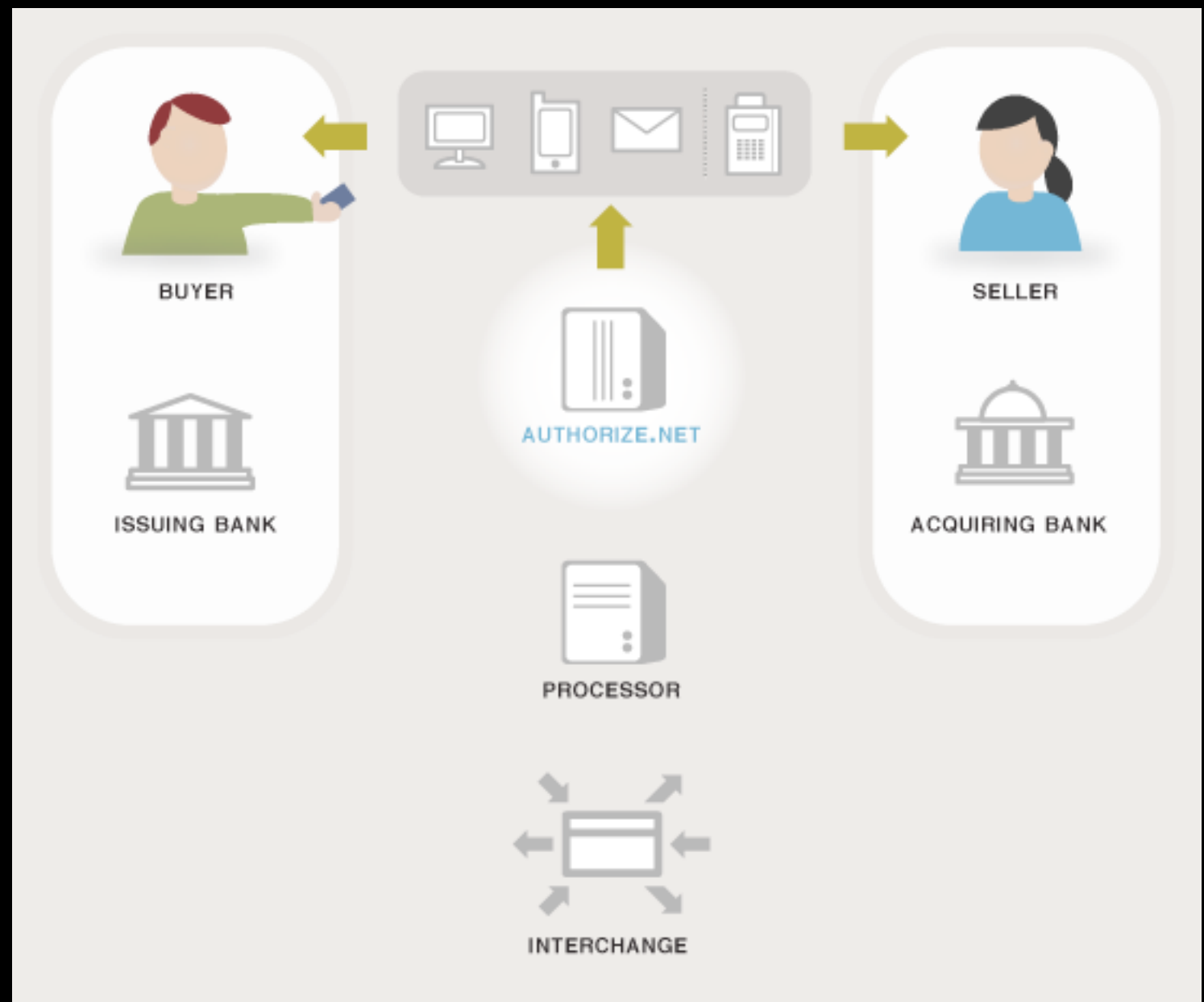
The issuing bank approves or declines the transaction based on the customer's available funds and passes the transaction results back to the credit card network.

The credit card network relays the transaction results to the merchant bank's processor. The processor relays the transaction results to the Payment Gateway.



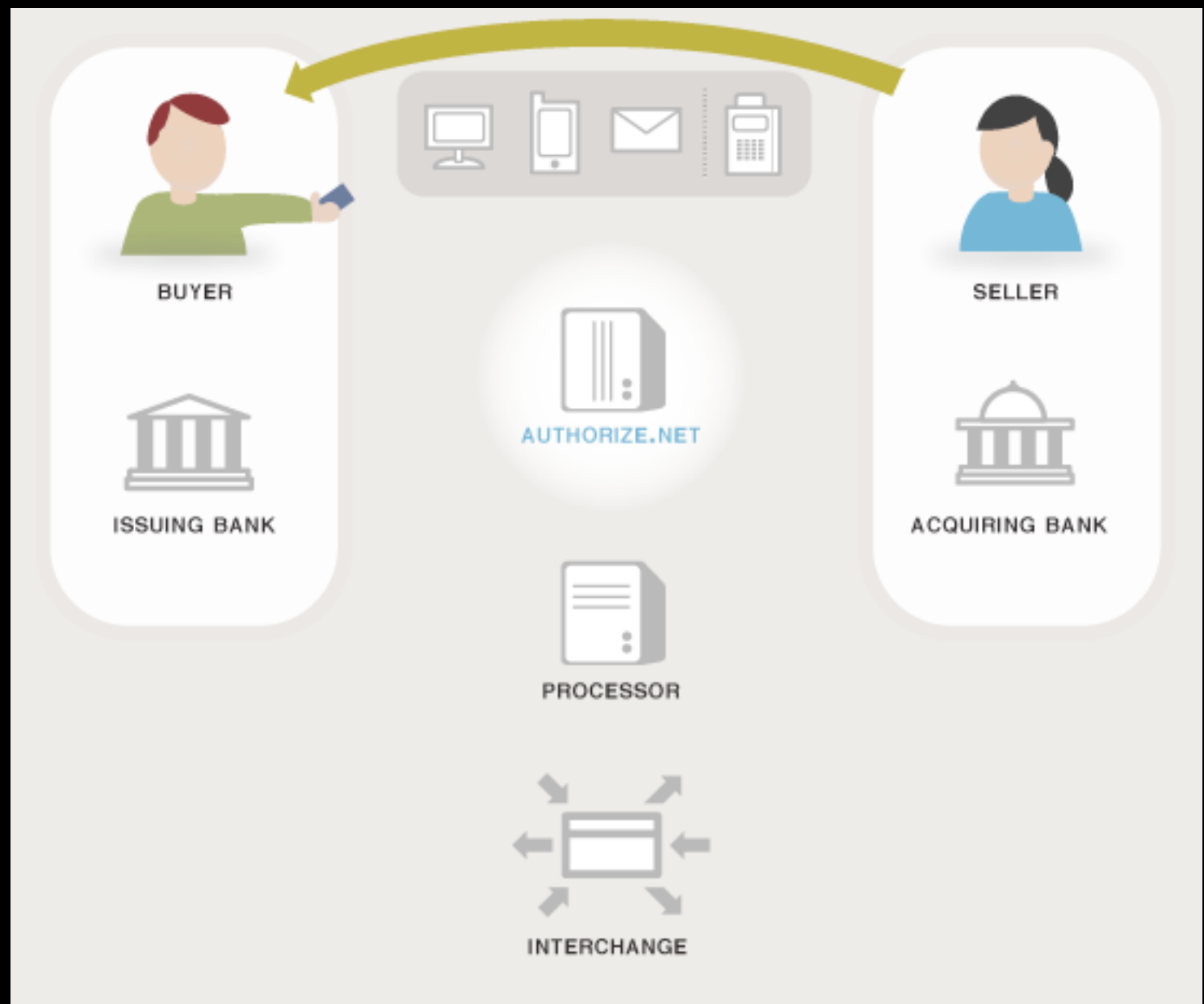
Dedicated Merchant Account Process: Step 5

The Payment Gateway stores the transaction results and sends them to the website for the customer and merchant to see.



Dedicated Merchant Account Process: Step 6

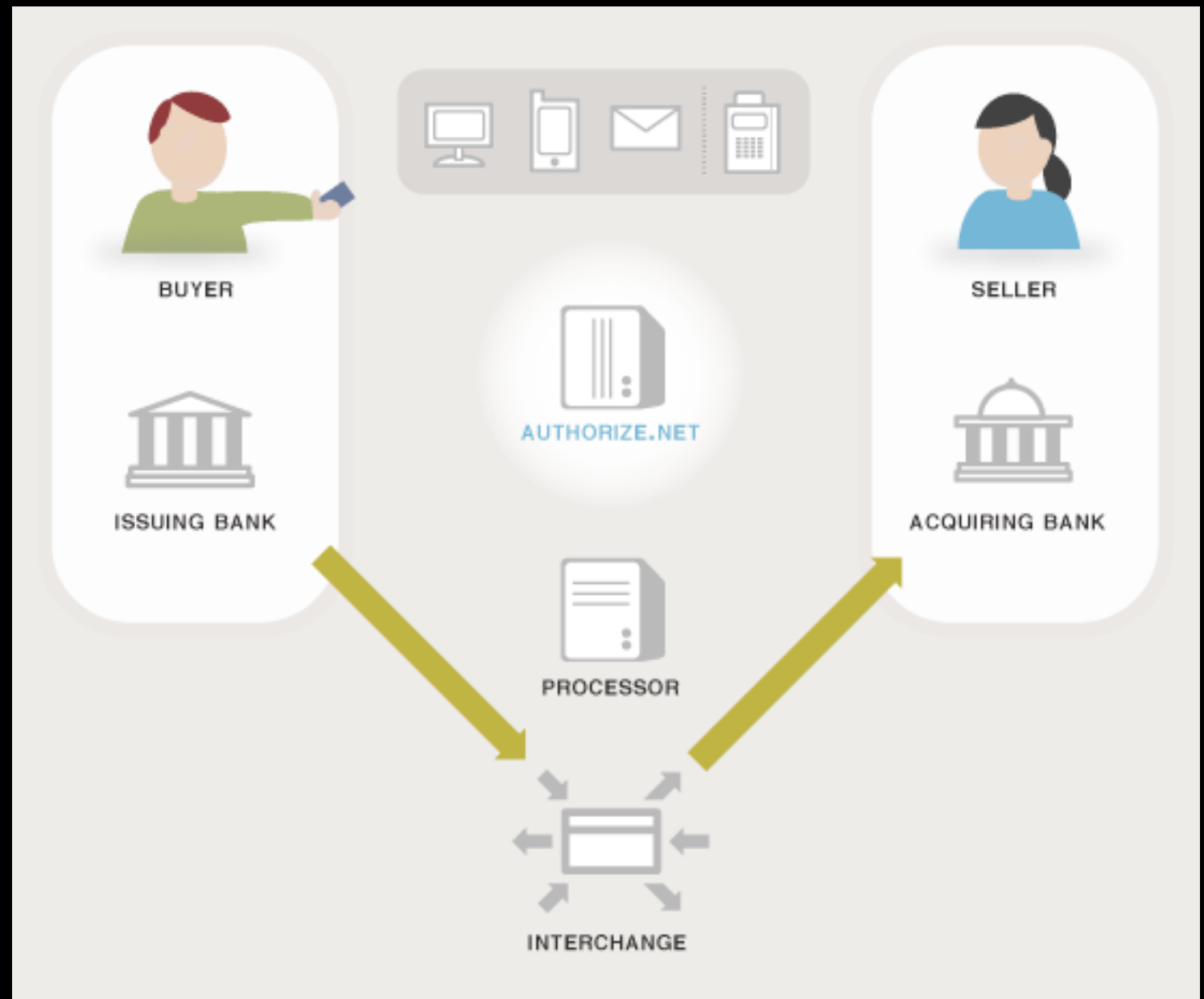
The merchant delivers goods or services to the buyer.



Dedicated Merchant Account Process: Step 7

The issuing bank sends the appropriate funds for the transaction to the credit card network, which passes the funds to the merchant's bank.

The bank then deposits the funds into the merchant's bank account. This is called 'settlement', and typically the transaction funds are deposited into the merchant's primary bank account within two to four business days.



Schedule of Fees

SCHEDULE OF FEES			
Qualified Discount Rates		Assessments	Account Servicing
_____ % Visa / MC / Discover / PIN Debit		<u>0.1100</u> % Visa	\$25.00 <u>0</u> Monthly Minimum
_____ % Other: _____		<u>0.1100</u> % MasterCard	\$10.00 Monthly Service Charge
Surcharge		<u>0.1050</u> % Discover	\$4.95 Compliance Program*
<u>1.15% + \$0.10</u> Partially Qualified		Pass-Thru Fees and Access	
<u>1.80% + \$0.10</u> Non-Qualified		<u>\$0.0195</u> Visa - Credit	<u>\$ 0</u> Monthly Debit Service Fee
Communication		<u>\$0.0155</u> Visa - Debit	<u>0</u> Termination Fee <u>\$ 0</u> Annual Fee
<u>\$ 10</u> Visa / MC / Discover / AMEX		<u>\$0.0185</u> MasterCard	Monthly Per Transaction
<u>\$</u> PIN Debit <u>\$0.25</u> Batch Deposit		<u>\$0.0185</u> Discover	<u>\$ 10.00</u> Internet Gateway <u>\$.05</u> Internet Gateway
Interchange			<u>\$ 0</u> Wireless** <u>\$ 0</u> Wireless
<u>\$0.10</u> Visa / MC / Discover Credit		Visa FANF & MasterCard ALF fees based on business type and volume processed.	Statement (Select both if desired)
<u>\$0.22</u> Visa / MC / Discover Debit			<input type="checkbox"/> U.S. Mail Statement (\$2) <input type="checkbox"/> Online eStatement (\$0)

* Compliance Program Fee waived for first 12 months ** Wireless Fee per terminal

Confusing? You bet!

PayPal

PayPal Plans Comparison

Features	Standard	Pro
Monthly Fee	\$0	\$30
Design and host your own checkout pages for full control	✗	✓
Customers pay without ever leaving your website	✗	✓
Accept credit cards via phone, fax, and mail (Virtual Terminal)	✗	✓
Accept credit cards (your buyers don't need a PayPal account)	✓	✓
Accept PayPal payments	✓	✓
Accept payments in 26 currencies from 193 countries	✓	✓
Simplified PCI compliance	✓	✓
No long-term contracts, setup, withdrawal or cancellation fees	✓	✓
Nonprofit discount available for PayPal transactions	✓	✓
Toll-free phone support	✓	✓
Offer special financing on purchases \$99 and up	✓	✓

PayPal Plans and Fees

PayPal Payments Standard & Express Checkout

- No startup costs, no termination fee, no monthly fees
- Accept PayPal payments with Express Checkout
- Accept PayPal payments and all major credit cards with PayPal Payments Standard

PayPal Payments Pro

- No startup costs, no termination fee
- \$30 monthly fee
- You provide customers with a fully customized checkout experience right on your site
- Includes Virtual Terminal to allow you to accept payments over the phone

Nonprofit Discounts

- PayPal merchant fees are discounted for registered charities with 501(c)(3) status.

\$0 to \$3,000 monthly	2.9% + 30¢ per transaction
\$3,000 to \$10,000 monthly	2.5% + 30¢ per transaction
\$10,000 to \$100,000 monthly	2.2% + 30¢ per transaction
Nonprofit \$0 to \$100,000	2.2% + 30¢ per transaction
Profit/Nonprofit \$100,000+	Call: 1-855-787-1012
International Fees	2.9% transaction fee plus a 1% cross-border fee and/or 2.5% currency conversion.
Virtual Terminal	Prices slightly higher for these transactions.