# **Convenience Fee Processing**

#### GENERAL INFORMATION

#### What is a convenience fee?

A convenience fee is an additional fee charged to all methods of payment offered within the same payments channel. In order to qualify, the payment option must provide a convenience for the customer in a non-faceto-face environment that is outside a merchant's normal payment channel. For example, a convenience fee could be charged to customers who pay by telephone, but not to those who pay in a store or office. As is always the case, the convenience fee does not relate to the form of payment (i.e. credit card), but rather how the payment channel is used.

## What kinds of merchants can process convenience fees?

Merchants who are eligible to charge a convenience fee must meet a number of criteria that vary based on the specific payment channel utilized, the card brand(s) that are being accepted and whether there is a Card Company, industry-specific program. Additionally, merchants who operate exclusively in one payment channel cannot charge a convenience fee, as the fee can only be assessed when an additional payment channel is provided.

### What are the payment card brand rules associated with convenience fees?

All payment brands within a channel must be treated equally.

Visa® mandates the following rules and regulations regarding convenience fees: The convenience fee must be a fixed amount, regardless of the amount paid. It cannot be a percentage of the amount paid or based on a sliding scale of the amount paid.

- The convenience fee must be disclosed to the cardholder prior to completion of the transaction and the cardholder must be given the opportunity to cancel.
- The convenience fee and the transaction must be combined into a single transaction.
- Convenience fees cannot be advertised by the merchant as an offset to the cost of accepting credit cards.

- These fees can be charged only for the purpose of providing a convenient channel outside of standard acceptance processes.
- Convenience fees may only be added to non face-toface transactions.
- Third party processing of convenience fees on behalf of the merchant <u>is not</u> permitted.

MasterCard<sup>®</sup> mandates the following rules and regulations regarding convenience fees:

- Percentage based and tiered rate convenience fees are allowed, as well as fixed amount fees.
- MasterCard requires the convenience fee be separate from the transaction.
- The convenience fee must be disclosed to the cardholder prior to the completion of the transaction.
- Third party processing of convenience fees on behalf of the merchant <u>is</u> permitted.

American Express<sup>®</sup> and Discover<sup>®</sup> permit convenience fees based on the following guidelines:

- Percentage based and tiered rate convenience fees are allowed, as well as fixed amount fees.
- Convenience fees are only permitted when all payment methods in a channel are being charged a convenience fee as well.
- The convenience fee must be disclosed to the cardholder prior to the completion of the transaction.
- Third party processing of convenience fees on behalf of merchants <u>is</u> permitted.

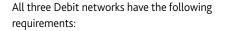
## What are the Debit Network rules associated with convenience fees?

When operating in the PIN debit environment, convenience fees are considered surcharges, and are therefore prohibited. However, convenience fee processing **is** permitted for PINless Debit transactions processed through NYCE<sup>®</sup>, Pulse<sup>®</sup> and STAR<sup>®</sup> debit networks only.





### METHODS OF PAYMENT



- Convenience fees are only allowed when all payment methods in a channel are being charged a convenience fee.
- Receipts must indicate "FEE" or "MERCHANT FEE," and the amount.

NYCE debit network mandates the following regarding the convenience fee option:

- Merchants must provide NYCE with signage, receipt and text information, in addition to a signed surcharge liability waiver 30 days prior to implementation.
- The convenience fee, application and amount of the convenience fee associated with the PINless payment transaction must be disclosed via video or audio.

The Pulse debit network also has specific disclosure requirements and mandates that billers must notify the customer of the following points prior to the application of a convenience fee:

- The amount of the convenience fee or rebate must be disclosed.
- Confirmation on whether or not the convenience fee is in addition to any other fees that may be assessed by the customer's financial institution must be verified and divulged to the cardholder.
- Customers have the option to either continue or cancel the bill payment upon learning of the convenience fee and specific instruction on how to do so must be provided.
- STAR's convenience fee rules require that:
- Merchants provide signage, receipts and text information, as well as a signed surcharge liability waiver 60 days prior to implementation.
- Merchants must also file an intent to surcharge form.

## Are there any state or federal regulations regarding convenience fee processing?

The State of California does not allow third party vendors to charge convenience fees on payments. California law also requires that the fee assessed can be no higher than the cost of providing the convenient payment channel.

Since state laws change frequently, we recommend that merchants investigate applicable state laws to determine if there are any laws regarding convenience fees.

#### For which payment methods can merchants process convenience fees?

Chase Paymentech can support convenience fee processing for any electronic payment type.

## In what currencies can merchants process convenience fees?

Chase Paymentech can support convenience fee processing in any currency. Merchants should investigate regulatory issues in each country prior to initiating convenience fee processing in a non-U.S. currency.

#### What is the difference between a surcharge and a convenience fee?

Visa and MasterCard prohibit charging a surcharge to cardholders who use their payment cards for purchases. A surcharge is charged only to credit card sales, and therefore would financially burden the cardholder with a fee for the privilege of using a credit card.

A convenience fee, on the other hand, is charged to all payment methods when the manner of collecting the payment proves more convenient to the cardholder.

#### 📲 Integration and Implementation

#### What versions of the Chase Paymentech Solutions Technical Specifications include support for convenience fee processing?

Our 96-byte Batch, 120-byte Batch and Online Technical Specifications support convenience fee processing, as does the Spectrum SDK and Orbital Gateway.

#### Does my company have to complete a contract addendum to process convenience fees?

Merchants processing convenience fee transactions must complete a special processing agreement, as well as a contract addendum.



#### Does my submitter have to sign a contract with Chase Paymentech to submit convenience fees on behalf of my company?

Vendors submitting transactions and convenience fee transactions on behalf of merchants must sign a contract with Chase Paymentech and be certified to process transactions on our processing platform.

#### What paperwork do I need to complete to add convenience fee processing to my merchant account?

Your company will need to complete a contract modification and three-way addendum with your third party vendor (if your company uses a third party for convenience fee processing) and Chase Paymentech. You will also need to submit a completed New Division Setup Form. Your Chase Paymentech representative can provide you with these documents.

#### What is the setup time frame to add convenience fee processing to my merchant account?

Setup time frames vary depending on the number of processing divisions being added.

#### What additional data will my company have to submit to Chase Paymentech in order to process convenience fees?

Chase Paymentech currently requires no additional data submission to process convenience fees at this time.

#### Where can I find a convenience fee processing partner?

Chase Paymentech can provide you with a list of vendors who are certified to submit convenience fee transactions to us. Consumers can then use this to find a location near them.

#### What software vendors certified with Chase Paymentech support convenience fee processing?

Please contact your Account Executive for a list of software vendors who are certified to our processing platform.

#### Where is convenience fee processing information located on my financial reports?

Your convenience fee data will appear on your Deposit Activity Summary Report (FIN-0010), at the FTI level, in addition to your Adjustment Detail Report (FIN-0002).

#### Will my company's convenience fee processing partner be able to obtain financial reports?

With your approval, your convenience fee processing vendor can access your Chase Paymentech financial reports.

#### **Can I submit recurring payment** transactions with convenience fees?

Visa prohibits convenience fees on recurring transactions. MasterCard, however, allows them only if the payment occurrence is considered a convenient channel.

#### How are chargebacks handled?

Chargeback processing flows are determined in advance between your company and your convenience fee vendor. We will apply fees and submit documentation to the parties you indicate.

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#### To learn more, please contact your Chase Paymentech representative, visit us at www.chasepaymentech.com