

Redwood Merchant Services Merchant Processing Terminology

ACH - Automated Clearing House for member banks to process electronic payments or withdrawals. (Credits or debits to a bank account) through the Federal Reserve Bank.

Acquiring Bank - Licensed Visa/MasterCard member bank, which processes credit card transactions from merchants.

Aloha System – A restaurant software application designed to work in a PC environment with levels of capability such as placing food orders on “touch screens”, which are transmitted into the kitchen or bar. Credit cards can be swiped and tips added. This is a 3^d party VAR solution and must be programmed by the contracted vendor. Support is provided at a cost by the vendor.

Application – A merchant must apply for the ability to process credit cards. The merchant application describes how and what is sold. Credit and applicant information is verified and reviewed by underwriters for an approved merchant number (*MID*).

Application, Terminal – Terminals are downloaded with various applications that are applicable to the trade style, i.e.; retail, restaurant with tips, corporate or purchase card, etc.

ATM – Automated Teller Machine used for cash withdrawals from bank accounts.

ATM Card – For use in ATM's. ATM cards are also issued to be used as a debit and/or credit card in POS terminals.

Authorization – Approval showing that a credit card has not been reported as lost or stolen and is within the credit limit of the credit card account. Transaction is still subject to dispute or reversal for merchant violations such as not processing as agreed or other breach of contract rules.

Authorization (Auth) Only – An Auth can be obtained via phone. (*Voice auth*). Allows merchant to verify that a transaction amount is within credit card balance available; however, transaction amount is not deducted from the credit card balance. An “auth only” is only good for a limited time.

Authorization Number – Confirmation number assigned to identify an approval received on a transaction. The confirmation number prints on the credit card transaction receipt or displays on the terminal screen. If an electronic printer is not used, the authorization number is written on a paper sales draft.

Average Sale/Ticket – The “routine or average amount” of a merchant's transaction volume.

AVS (Address Verification Service) - Verifies that cardholder's billing address matches the address shown on the cardholder's account.

Back End Processor – Term describing the data processor that settles, records and forwards deposits or withdrawals to merchant. Generates monthly merchant account statement.

Batch – The total of a day's or shift's transactions sent to processor when POS device is automatically or manually closed.

Card Issuer – Bank that issues a credit card to a consumer or business organization.

Cardholder – Consumer or business organization holding rights to a credit card and its use.

Charge Back - A reversal of a credit card sales transaction due to a dispute by the cardholder.

Check Card - Issued by a bank to be used as a credit, ATM, or debit card. Has a Visa or Master Card logo on front and debit network logos on the back. Can be processed as a debit card or a credit card depending on whether cardholder's PIN is requested by merchant. (It is limited by the amount of money in cardholder's checking account)

Check Guarantee – An insurance service merchants use to protect against non-sufficient funds checks i.e. “bad checks”.

Check Reader – A device that reads check information for transmittal to a check guarantee company.

Corporate Card – A credit card issued to a business organization, which is treated differently from a consumer card. Corporate card transactions are often surcharged when certain data requirements are not transmitted during the credit card authorization process.

Customer – Aka “cardholder” used to distinguish from “merchant” in trade conversation.

CVV2 – An identification number shown on a credit card to further protect against fraud or verify the cardholder has the card in their possession. The number is 3-4 digits located on the signature panel on the reverse side of the card.

DBA (“Doing Business As”) - This is the business name that the “public” sees. It is also the name a cardholder will see on their credit card statement so it's important that it relates to the products sold, i.e.; cardholder can recognize where they made a purchase. The owner (principal) can be a corporation, proprietor or partnership of a different name.

Debit Card – Debits transaction amount directly from a cardholder's checking account. Is not used as a credit card in the POS terminal. (*A “Check Card” can act both as a debit or credit transaction*)

Debit Fee – A fee charged to the merchant when processing a debit transaction in a POS terminal.

Debit Networks – Electronic connection to various banks by contract to honor debit card transactions.

Discount Rate – The percentage banks charge for processing credit card transactions. Percentage is based on sales volume of transaction batches.

Downgrade – Discount rate that has been adjusted to allow for transactions that do not qualify for the best discount rate available. Downgrades may occur when transaction data is not transmitted through the authorization process, transaction batches are not closed and transmitted within the specific time frames or various other Visa/MasterCard mandated requirements.

EBT (*Electronic Benefits Transactions*) - Government issued stored value credit card that is used redemption of foods stamps and other services.

ECA (*Electronic Check Acceptance*) – Replaces the paper processing of a bank check via an electronic check reader or imager. The check reader or imager processes check data electronically to the maker of the check's bank and the merchant's bank checking account, making it unnecessary to deposit the check manually. Also called “check conversion”.

Encryption – Used for security of a cardholder's PIN number when used in a POS pin pad, terminal or ATM. Encryption must be done via a vendor authorized by the processing bank.

ETC Type (*Electronic Transaction Capture*) – Various code types available for input to designate methods of processing credit cards.

Factoring – Using a merchant's credit card processing account for processing another merchant or business organization credit card transactions. This is a serious violation of the Visa/MasterCard Rules and Regulations and is subject to severe penalties.

Front End – Term used to describe the application used in a POS terminal or software.

Gateway – An Internet device that processes cards via the Internet. Provides secure passage to enter credit card and personal data for processing of the credit card transaction. Acts like a terminal by obtaining an authorization for the transaction and completes the order process for the merchant.

Host Capture – Host is the processor where the transactions are held until the batch is closed either manually or automatically, which is determined by the merchant or terminal program options. Transactions are then forwarded for processing, crediting the merchant and charging the cardholder's account within various time frames.

Imprinter – Manual "slide" machine used to obtain an imprint of credit cards when an electronic printer is not being used. Must be made available in case of emergency terminal failure. Paper sales drafts are manually completed and signed by cardholder. Merchant is required to maintain a copy of a signed sales draft for (7) seven years per Visa/MasterCard Rules & Regulations.

ISA (*Independent Sales Agent*) - Registered agent licensed with an organization to sell merchant accounts. (aka MSP, Merchant Service Provider)

ISO (*Independent Sales Organization*) - Sales Organization that is licensed with Visa/MasterCard selling merchant accounts through an acquiring bank.

Issuing Bank – A bank that issues MasterCard and/or Visa credit cards.

Keyed Transaction – A credit card number is manually entered into a POS terminal rather than swiped due to bad magnetic stripe or when cardholder is ordering merchandise or services via the telephone or Internet.

Magnetic Stripe (*aka Mag Stripe*) - Encoded strip that is on the reverse side of various types of credit cards.

Merchant – A business organization accepting credit cards.

Merchant Identification Number – Account number assigned to an approved merchant account by a processor.

MID – Acronym for merchant identification number.

Mid-Qualified – A credit card transaction that is downgraded from a qualified transaction level for various reasons such as a hand keyed transaction or a transaction batch that has not been closed in the proper time frames.

Monthly Minimum – A merchant's minimum charge for a month of service. If the monthly discount charge is less than the minimum charge requirement, the difference will be charged, totaling the monthly minimum.

MOTO (*Mail Order Telephone Order*) - Aka "Keyed". Card and cardholder not present at the POS at the time of sale. Internet processing is also referred to as MOTO.

Multi Merchant – Some POS equipment will process more than one merchant on the same unit. (Used in Salons, medical offices, where more than one merchant may process)

Non-Qualified Transaction – A credit card transaction that is downgraded from a qualified and mid-qualified transaction level for various reasons such as when a corporate or purchase card is used rather than a personal card or if a batch is not transmitted within specific time frames.

Paper Processing – A manual imprinter is used with paper sales drafts for credit card imprints and signature. Sales drafts are presented to the bank for deposit. (This was the primary processing method used prior to electronic processing being introduced)

PIN – Acronym for Personal Identification Number issued by the credit card issuer, which is entered into a PIN Pad by the cardholder when requesting cash back on a debit card transaction or for use in the ATM.

Pin Pad – An encrypted device, which is either a separate unit or is integrated into a POS terminal that provides a keypad for cardholder to enter private PIN number. Pin Pad types can be cabled to a terminal or integrated in the POS terminal. (Pin Pad must be encrypted to match processor and the acquiring bank)

POP – Acronym for Point Of Purchase, indicating where the terminal is installed at the merchant site.

POS – Acronym for Point Of Sale, indicating the credit card device that is used to process the credit card transaction.

Principal (Prin) –Primary owner and signatory of the merchant account and, unless otherwise designated by them, the only one who may receive information about the account.

Processing Software – Software that enables a PC to function as a credit card terminal. A "magnetic stripe reader" is available and adaptable to a PC for retail use, to allow the merchant to swipe the credit card through the POS device while the cardholder is present. Multi merchant and re-curing billing capability is extensive with software and reports can be customized.

Purchase Card – Card issued by either a business organization or government agency for certain purchases such as fuel, vehicle maintenance or supplies. Subject to "non-qual" surcharges. (See "Corporate card" above.)

Qualified Transaction – A transaction that qualifies for the lowest interchange rate based on fraud risk level and required criteria such as credit card must be swiped in a retail POS terminal and batches must be transmitted within 24 hours of credit card transaction sales.

Retail – Term for storefront businesses where card and cardholder are present, credit card is swiped in the POS terminal, and merchandise is "on hand" for purchasing at POS. Discount rate is lower based on low fraud risk. The cardholder is present to sign sales receipt and be compared to the signature on the credit card.

Return – A credit for returned product or service after the terminal batch has been closed and transmitted. The card number must be either re-swiped or keyed and amount of sale processed via a return key. The cardholder's account will be credited for the return amount.

Security – A department of a processing bank that is charged with the responsibility to protect merchants from fraud and make certain merchants are processing as to the terms of the signed merchant agreement.

Settlement – When batches are sent at close of business, back-end servers “settle” credit card transactions with issuers, which are then charged to the credit cardholders account. (Settle, close, clear and batch-out, transmitted are synonymous)

Signature Capture – Obtaining the cardholder signature on receipts of any type and the highest protection against fraud for a merchant credit card transaction. Merchant has ability to compare the cardholder signature to the signature on the credit card.

Split Dial – A separate terminal key can be used to dial out to another service such as a check guarantee company.

Statement Fee – The monthly charge for developing and mailing a credit card transaction statement showing merchant activity for the month.

Surcharge – Added to a retail rate when a card is keyed rather than swiped. Also can be an added charge by a merchant for accepting a debit card at POS.

Swiped – Trade term for card present at retail so it can be “swiped” and the magnetic stripe is read in the terminal.

Terminal Capture – Transactions are held in the memory of the terminal or other POS device for transmitting closed batch at the end of the day or shift. Transactions can be held at the host for the purpose of editing tips or updating data such as check in and check out for the lodging application. (Different from Host Capture above)

Thermal Printer – Newer manufactured terminals have built-in printers with either 2-piece NCR paper or 1-piece thermal paper for receipts. Thermal units are smooth, quiet and faster. A receipt comes out for signature followed in a few seconds by the customer copy. The paper is archival to last 7 + years.

TID – Acronym for Terminal Identification Number, which identifies which POS unit, is sending data to the processor. If more than one device is used with the same MID, different TID's are needed to separate data.

Tip Program – An application, which allows a service gratuity to be added to the receipt. Used in restaurants and salons or anywhere a tip is routinely added by customers.

TMF (*Terminated Merchant File*) - A shared file of merchant names that have been terminated from processing rights by a processor for serious violations of rules or fraudulent activity. Processing banks have access to this networked list.

Track I/II – Credit card magnetic stripe holds both the card number (Track I) and cardholder name (Track II). When a credit card is swiped through the POS terminal, the magnetic strip can read Track I/II data depending on type of terminal.

Transaction – Also called an “authorization”, in any credit card sale, keyed or swiped.

Truncation – The cardholder's credit card number is partially deleted on the receipt for protection against fraud such as a stolen credit card number or if the receipt and manipulated by a thief.

VAR (*Value Added Reseller*) - A company that develops processing software solutions and certifies their use with various processors. If a product is Class A certified, the processor will provide all levels of support. A Class B certification will provide technical support by the VAR and merchant

may be assessed a fee. *Refer to the Product / VAR list located on the RMS Website to confirm certification level.*

Voice Authorization – Used when the POS device “refers” for an authorization or is unable to provide an electronic credit card authorization. An authorization is then given via telephone through the voice authorization system.

Void – A credit card transaction may be voided before transmitting the closed batch in the POS device. May occur if an entry error is made or some other change prior to completing a sale. (A “return” would be done after a closed batch has been transmitted which included the transaction in question)

Voided Check – A check used to designate the account to be used for ACH deposits or charges. The check is voided simply so it cannot be processed by an unauthorized person.