How do Credit Card Fees Work?

Presented by paystand

A brief history of credit cards

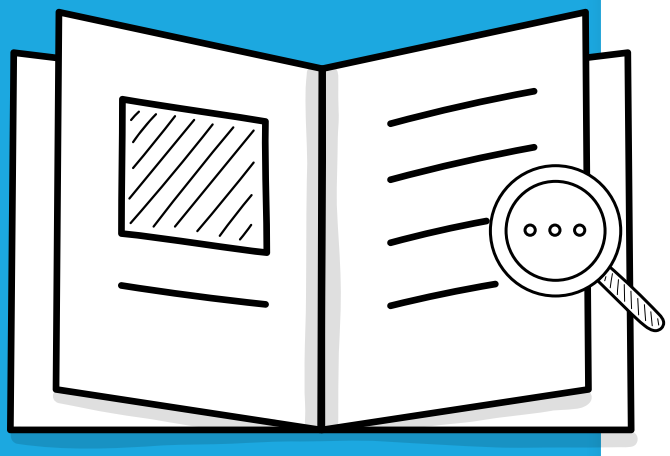
1949

Credit cards, as we know them, were born.

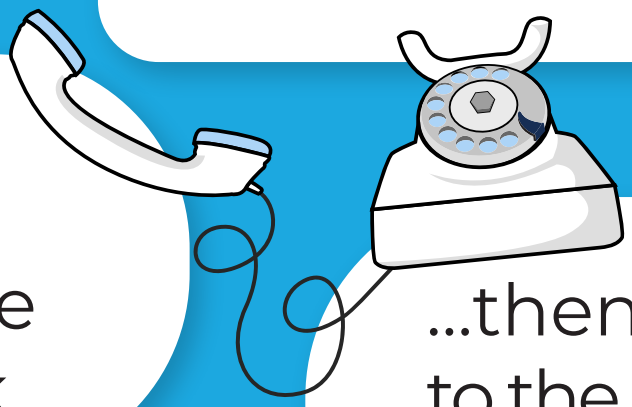
1951

Credit card companies charged a transaction and maintenance fee of $3/year.

1960s - 1970s



Transactions were manually processed and authorized over the phone, checking the card number against a large book of valid card numbers...



Verified information passed to the issuing bank...

...then attached to the consumer's account.

A lot of manual labor for just one card transaction!

This whole process required processing fees (understandably).

1980s - Present

Costs should have lessened or disappeared with technology automating manual processes.

Yet, credit card companies continue charging fees.

High processing fees increase costs so much that in 2020, merchants in the U.S. paid more than **$110 billion** in credit card processing fees.

Credit Card Processor Fees

Partnering with a payment processing service provider helps move money from one bank to another. They also function as payment gateways.

Processors' fees depend on the amount and value of the transactions and the chosen pricing model.

Higher transaction volumes = lower processing fees.

Interchange Fees

Interchange fees are what's paid between banks to cover any costs associated with the

risk of approving the payment.

Merchants → processor → credit card issuer → issuing bank.

Each payment network has a percentage-based inter-change fee.

Assessment Fees

Assessment Fees are small fees that merchants pay directly to the card network.

The assessment fee covers the operating costs for the card network.

Each credit card network has its own credit card assessment fees.

As of September 2021:

Mastercard:

0.12% for transactions over $1,000

and

0.13% for transactions under $1,000

Visa:

0.13% for credit card transactions

and

0.12% for debit card transactions.

Authorization Fees

Authorization fees happen when a hold is used to ensure the customer has enough funds available.

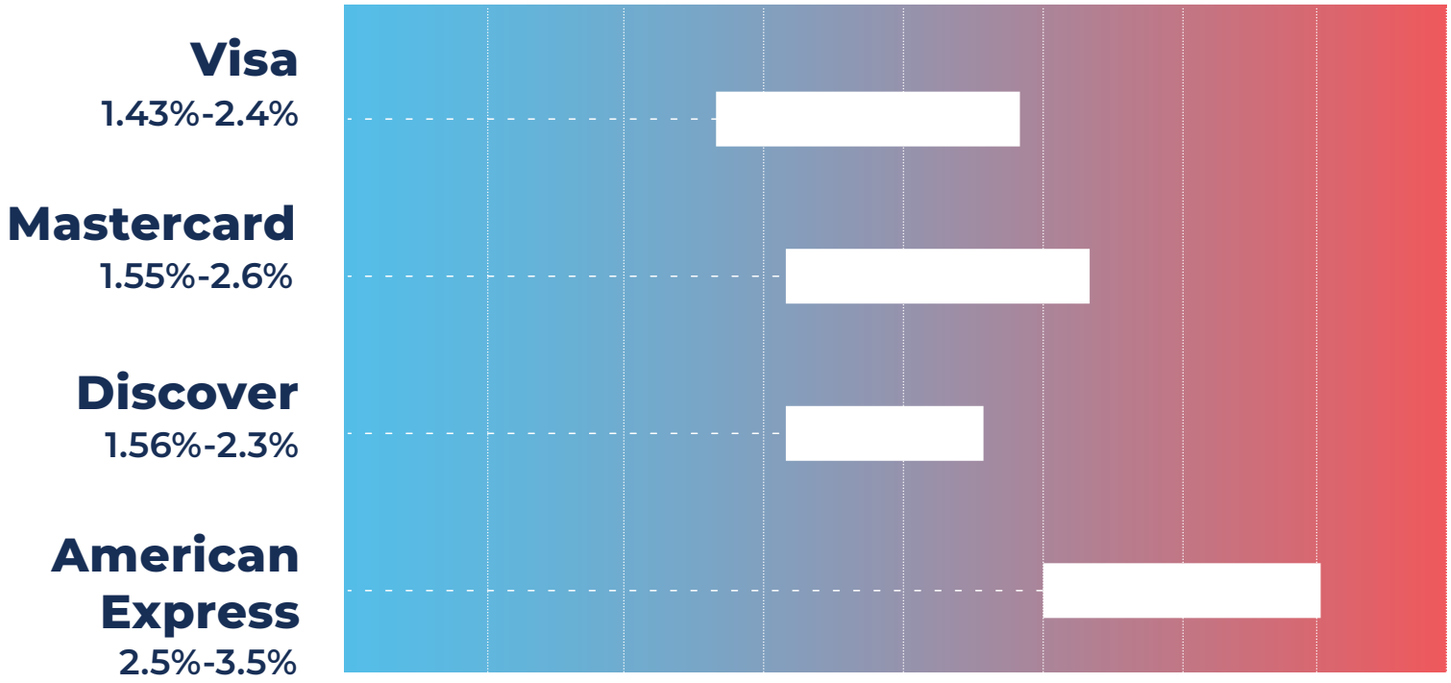
Merchants are subject to this fee even if the transaction is not approved.

Other fees can include:

- Markup fees per transaction
- Monthly service fees
- Monthly minimum fees
- Batch fees
- Chargeback fees
- Payment terminal fees

By accepting credit card payments and adding fees, **merchants pay between 1.3% and 3.5%** for each transaction.

Aproximate Fees per Card Network



0.5% 1% 1.5% 2% 2.5% 3% 3.5% 4%

Do you want to know how to **reduce or completely eliminate these fees?**

Download our ebook to learn all about it!

Download ebook

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