

September 5, 2011

TO: CNPS Board
FROM: Connie di Girolamo
SUBJECT: Credit Card Processing
Information Only – No action required

An update and additional information regarding the Merchant Credit Card Contract we have with Wells Fargo Bank (contract signed 8/22/11).

- We have agreed to a two month rental of a wireless terminal and will use it at our September and October Chapter meetings as well as the Annual Plant Sale.
- A two-year agreement has been signed, costing \$5.00 per month. We will pay this fee even if we choose not to rent the device for future events.
- We received the OK to proceed from the State CNPS office. We are the only chapter to use credit card services.
- We need to keep in mind that this is a short term “experiment”. We do not know if it will increase sales (we hope it will). We do not know what the impact of the Bank Fees will be to the credit card sales. We may or may not want to continue this service after this “two month trial period” (annually or monthly).
- As a non-profit corporation, we receive discounted fees for the credit card purchases.
- Wells Fargo Cost Plus Pricing (a brief explanation about how it works):

Here’s how cost plus pricing works: There are many different types of credit cards such as rewards cards (cards with points or miles), regular consumer credit cards (no points or mile), debit cards, etc. These are just a few examples – there are hundreds of others. There are also many types of transactions – for example, if you key enter a card into the machine instead of swiping it through. **Each of these cards and type of transaction has a different cost to Wells Fargo from Visa and MasterCard.**

For Example:

A rewards card which you swipe through the machine costs us 1.76% and 10 cents per transaction. That’s what we have to pay Visa and MasterCard when one of our clients runs this type of card.

A rewards card which you key enter instead of swiping **and enter the address and zip code** costs us 2%, however if you do not enter the address and zip code it costs us 2.90%.

There is a list that Visa and MasterCard puts out which lists all of the different costs based on which category the transaction falls in. This list is Public Info and no bank or credit card processor gets a break on the cost. We all pay the exact same cost to Visa and MasterCard. Wells Fargo pays the same as Joe's Credit Card Processing Company.

Your rate is going to be Cost Plus 60 basis points (a little over $\frac{1}{2}$ a percent). This means that whatever Visa and MasterCard charges us for the type of transaction you run, we are only going to add a little over a $\frac{1}{2}$ a percent as our profit. Very slim.

Here's the bonus with Non-Profits such as CNPS. The cost for all types of transactions for non-profits, except for business cards, is 1.54%. So regardless of whether you get a rewards card or key enter a card, you will only pay 1.54% plus .60% = 2.14%.

And the cost on debit cards for non-profits is .91% - so, .91% plus .60% = 1.51%.