

How to Apply for a **MERCHANT ACCOUNT**



Fit Small Business

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Steps to Getting Approved & Tips on Negotiating the Best Rates for Your Business

Thank you for downloading our merchant account application guide. This resource aims to provide you with a one-stop shop for all the possible questions you may have in preparing, applying for, and following up on your merchant account application.

What you'll find:

- A step-by-step guide to filling out a merchant application form
- Tips on how to negotiate the best possible transaction rates
- What to do if your merchant application is rejected
- Illustrations, tables, and templates to help you along the way

So, whether you have a fast-growing business or operate in what's considered a "high-risk" industry, this ultimate guide should get you through the steps with the best possible chances of being approved for a merchant account. Let's get started.

STEP 1

**Determine the
Type of Merchant
Account You Need**

Fast-growing businesses and those that register over \$100,000 in annual revenue need a dedicated merchant account to help negotiate better transaction rates and discounts on payment processing fees. Meanwhile, high-risk merchants are required to apply for one in order for banks to assume the risk of doing business.

Whatever the reason, the first thing you need to know is the type of merchant account that provides the right tools and services to match your business needs.

Dedicated Merchant Accounts vs. Aggregated Merchant Accounts	
Offered by direct merchant account providers, this type is owned by a single merchant. Approval of these merchant accounts solely depend on a merchant's overall financial health and business standing.	Provided by payment service providers (also called merchant aggregator), this type allows your business to accept credit card payments under a common merchant ID with similar merchants grouped together by the merchant aggregator provider's discretion.
Best for: Medium and large businesses, B2B merchants, and businesses operating in high-risk industries	Best for: Small businesses, occasional sellers, and startups
Advantage: More account stability; better chance of building good credit standing and approved for better contract terms	Advantage: Easy to get payment processing approval, often with instant sign-up
Disadvantage: Approval for payment processing takes more time and requires more documentation	Disadvantage: Aggregated accounts have less stability and are more frequently subject to frozen funds, suspended accounts, or rolling reserves
Examples: Helcim, Stax, PaymentCloud	Examples: Square, PayPal, Stripe

Direct Processors	vs. Indirect Processors
<p>Large financial institutions that have the ability to serve both as payment processor and acquiring bank. Smaller payment service providers rely on these direct processors to process their merchants' transactions.</p>	<p>These are payment service providers who resell services of direct processors through their own platform. The platform can be a point-of-sale or a payment processing software and can provide dedicated or aggregated merchant accounts.</p>
<p>Best for: Indirect processors, and Enterprise-level businesses</p>	<p>Best for: Small and medium businesses, as well as high-risk merchants of all sizes</p>
<p>Advantage: Competitive rates for large-volume transactions and faster transfer of funds</p>	<p>Advantage: Processing cost and terms for the use of direct processor payment processing are more accessible for non-enterprise businesses</p>
<p>Disadvantage: Difficult to access and may be expensive for smaller businesses</p>	<p>Disadvantage: Approval and access to funds may take longer</p>
<p>Examples: Chase, WorldPay and TSYS</p>	<p>Examples: Payment Depot, Stax, PaymentCloud</p>

STEP 2

Be Familiar with Pricing Models

Transaction fees will make up a considerable portion of your business expenses, so it's important to be familiar with pricing structure when choosing a merchant account provider. One pricing model may be best suited for one business type but not for another, and it's important to know which is ideal for your business type before applying for a merchant account.

Credit card processing fees typically fall under the following categories:

- **Flat-rate pricing:** Best for businesses with low sales volumes or those that process primarily small-ticket items. Small and mobile businesses will find this structure ideal because it's simple to compute and easy to budget for.

Flat-rate pricing example: 2.9% + 30 cents

Where:

2.9% + 30 cents: includes both card network fee and mark up fee

2.9%: per-transaction rate

30 cents: per-transaction fee

- **Interchange-plus pricing:** Best for growing businesses with increasing sales volumes. The structure clearly shows you the card network fee plus the card processor's fee, so it's easy to identify how much you are being charged and negotiate better fees. Merchant account providers, in most cases, offer a discounted rate based on your average sales volume.

Interchange-plus pricing example: Interchange plus 0.15% + 20 cents

Where:

Interchange: the rate assigned by card networks (Visa, Mastercard, Discover, Amex)

0.15% + 20 cents: the per-transaction markup

0.15%: markup rate

20 cents: per-transaction markup fee

- **Membership or subscription pricing:** Best for large businesses with high average sales volumes. This pricing is designed to provide low, wholesale, interchange-plus rates in exchange for a flat monthly fee, so active businesses with high sales volumes will find this more cost-effective.

Membership pricing example: \$99 per month + 8 cents

Where:

\$99 monthly: flat subscription fee

8 cents: per-transaction fee

- **Tiered pricing:** Not recommended for any type of business. This pricing model breaks down transactions into three categories depending on card type: qualified, mid-qualified, and non-qualified transactions. While a qualified transaction usually advertises low rates, your fee will ultimately depend on the type of card your customer uses, making your monthly cost unpredictable except for the fact that it will most likely be higher than when using other pricing models.

Tiered pricing example: Qualified: 1.69% plus 25 cents

Mid-Qualified: 2.25% plus 31 cents

Non-Qualified: 3.35% plus 31 cents

Where:

Interchange Fee +	Processor Markup	= Tiered Pricing/Rate
0.09% + 21 cents	1.60% + 4 cents	1.69% + 25 cents
1.60% + 10 cents	0.65% + 15 cents	2.25% + 31 cents
2.10% + 21 cents	1.25% + 10 cents	3.35% + 31 cents

STEP 3

Choose a Merchant Services Provider

Once you have a good understanding of what type of payment processing features you need to run your business, it's time to choose the right merchant services provider. Note that most, if not all, offer multiple types of payment processing tools. What you need is to have the right set of information to compare your options and find the most suitable and most cost-effective of the lot.

The following table contains an overview of some of the [top merchant services providers](#) in the industry today. For detailed recommendations, see our buyers' guides, which are linked from the [Annex](#).

Payment Processor	SERVICE PROVIDED					Additional Information
	Payment Processor (Aggregator)	Merchant Account	Direct Processor	Payment Gateway	Works with High-Risk Merchants	
Square Payments	✓	✗	✗	✓	✗	Read our review
Stax (Fattmerchant)	✗	✓	✗	✓	✗	Read our review
Payment Depot	✗	✓	✗	✓	✗	Read our review
PayPal	✓	✗	✗	✓	✗	Read our review
Stripe	✗	✓	✗	✓	✗	Read our review
Dharma Merchant Services	✗	✓	✗	✓	✗	Read our review
PaymentCloud	✗	✓	✗	✓	✓	Read our review
Helcim	✗	✓	✗	✓	✗	Read our review
Chase Payment Solutions	✗	✓	✓	✓	✗	Read our review

STEP 4

Fill Out an Initial Online Application

Most merchant services providers will have an online sign up form that will ask you for your business details and requirements. Once you have submitted your request, expect to hear from a rep of your chosen provider within 24–48 hours; they will discuss your options.

Most merchant services providers will ask you to fill in an online form to start your merchant application.

(Image Source: PaySimple)

Depending on the pricing model, some providers may already have a quote ready for you, but you should also expect others to ask you further questions before presenting a customized quote. It is at this point that you need to prepare all the necessary questions before signing up for any type of merchant agreement.

Key things you will want to ask about:

- **Fees:** What are the possible one-time, monthly, incidental, and payment processing fees? Is there a PCI Non-Compliance Fee?
- **Monthly Volume Limit:** This figure will be based on your indicated average transaction volume per month. Exceeding this monthly limit may result in penalties or even suspension of your merchant account.
- **Acquiring banks:** Merchant account providers work with acquiring banks to process all your transactions. These providers often partner with multiple banks to maximize the chances of merchants getting approved for a merchant account. And because no acquiring bank charges the same fees, or offers the same contract terms, make sure to ask the account representative assisting you about which ones would give you the best chances for approval.

- **Contract Length/Term:** Contract lengths are often determined by the level of risk involved with your business and whether you signed up for an equipment lease. Providers offer pay-as-you-go, month-to-month, and long term-contracts that may go for up to three years with possible automatic renewal. Please note that early termination fees can be imposed if you breach a long-term contract, so make sure you are clear as to when the agreement will end and any policy on notification to discontinue.
- **Reserve Hold Times:** A reserve hold is a portion of your funds that are set aside by your merchant account provider's acquiring banks in case of any transaction disputes. Reserves can be held up to 180 days, and the amount is often based on a percentage of your sales or outstanding chargebacks. Be sure to look for the details on the merchant services agreement.
- **PCI Compliance:** The Payment Card Industry Data Security Standard (PCI DSS) compliance is a set of standards for securing payment processing. Merchant account providers will often walk you through the guidelines and some would even provide free consultation.

Once you are satisfied with the answers and are amenable to the fees and terms, you are ready to fill out your merchant application. [Learn tips on negotiating for the best rates.](#)

STEP 5

Prepare the Necessary Documents

When filling out your merchant application, you will likely need the following information:

- Employer Identification Number (EIN)
- Business name, location, and contact information
- A business license
- Your social security number
- Your estimated monthly average transaction volume

Why am I being asked for a monthly average transaction volume?

Each transaction carries a risk being undertaken by the processing bank associated with your merchant account provider. So, businesses that estimate larger monthly transaction volumes should expect to be asked for more documentation than those that plan to sell considerably less in a month.

Additional Documentation You May Need to Submit With Your Application

Depending on the type of merchant account you are applying for, the processor you're working with, and your business type, you may be asked to supply additional information.

Here is a list of common documentation requested when applying for a merchant account.

DOCUMENT TYPE	DESCRIPTION
Merchant application form	Completely filled out and signed
Bank account statements	Bank statement no older than three months Should display the account holder name, account number, IBAN, SWIFT, and routing number No information on the bank statement should be blacked out Online bank statements are acceptable Business bank letter if bank account statement is not available
Voided checks	Should display the same account name, account number, and routing number
Passport copy of owner	Valid passport of single proprietor owner, or Valid passport of ultimate beneficial owner and any authorized merchant account signatory

DOCUMENT TYPE	DESCRIPTION
Credit card processing statement, if applicable	Dated in the last six months Should display the merchant name, sales, and month
Copy of business license	Should display the business name and owner's name Check for the type of business license required for your city or state
Utility bill	Should display the business' or owner's name No older than three months
Financial statements	Current balance sheet and profit and loss statement
Website requirements	Should display the business legal name and complete contact information Terms and conditions Privacy, shipping and return policy Credit card logos visible before and or during checkout Domain must be owned by the business "Billed as" descriptor displayed at the checkout process

Note that not all merchant account providers require the same documents, so expect that other types or proof of business may be required.

What is underwriting?

Every transaction processed can be disputed by a customer and charged back at any time, and banks that process these transactions can end up taking on the loss. This is why banks have an underwriting and approval process in place before taking on the risks associated with providing you a merchant account.

The underwriting process is the bank's due diligence process in assessing the legitimacy of the business and the possibility of chargebacks.

Tip: Evaluate your business process for PCI compliance.

In preparation for the underwriting process, start doing a self-evaluation of your business environment related to PCI compliance. Be objective and as thorough as possible in making sure you have the right securities in place for processing payments.

This can be done with simple measures such as installing virus protection and anti-phishing software on your computers, observing strict password policies, and issuing trackable IDs.

STEP 6

Complete a Merchant Application Form

Nowadays, merchant application forms are completed online and sent back to your provider's account representative, either through their application platform or via email. It is also at this time that you include copies of your required standard supporting business documents or personal financial documents for new businesses. However, not all underwriters are the same, depending on the risk assessed in potentially doing business with you, so expect that more documentation proof may be requested down the line.

Tip: Payment processors are more than willing to assist with your application.

It helps to have a merchant account provider that will actively assist you when filling out your application. Its rep will often compile the submission on your behalf, along with the required documents, and send it to the applicable processors.

Below are the most common information you will find or will need to provide when filling out a merchant application.

Business Information

At the very minimum, this will consist of your business name, location, contact details and identification number. For businesses and general partnerships, providers will ask you for both your legal business name and DBA. You will also be asked to specify the type of ownership and type of business you run. This includes describing your products and/or services and where most of your sales come from.

BUSINESS INFORMATION					
Legal Business Name			DBA Name		
Legal Address			DBA Address (no P.O. Boxes)		
CITY	STATE	ZIP	CITY	STATE	ZIP
Legal Phone Number () - -		Legal Fax Number () - -		DBA/Customer Service Number () - -	
				DBA Fax Number () - -	
Email address for Notices: <small>(See "Notices" in the Merchant Card Processing Agreement included with this application for additional information relating to email address usage.)</small>			Website address: <small>Group email address for receiving and working chargebacks via our online solution</small>		
			(Translink)		
Preferred Address for:			Federal Tax ID <small>(must be 9 digits)</small>		Legnth Owned?
Statements? <input type="checkbox"/> Legal Address or <input type="checkbox"/> DBA Address <input type="checkbox"/> Dedicated Fax					____ Years
Changebacks? <input type="checkbox"/> Legal Address or <input type="checkbox"/> DBA Address () - -					____ Months
Contact Name:			Phone: () - -		
Any prior bankruptcies? Business <input type="checkbox"/> Yes <input type="checkbox"/> No			Personal <input type="checkbox"/> Yes <input type="checkbox"/> No		
If Yes, Filing Date? _____			If Yes, Filing Date? _____		
Type of Ownership:			Types of Business:		
<input type="checkbox"/> Sole Proprietorship, Date Birth _____			<input type="checkbox"/> Retail <input type="checkbox"/> Lodging		
<input type="checkbox"/> Partnership			<input type="checkbox"/> Restaurant <input type="checkbox"/> Service		
<input type="checkbox"/> LLC					
<input type="checkbox"/> Ld Partnership			<input type="checkbox"/> Business to Business ____% <input type="checkbox"/> Internet ____%		
<input type="checkbox"/> Government Entity			<input type="checkbox"/> MOTO ____%		
If Corporation					
<input type="checkbox"/> Public <input type="checkbox"/> Nonprofit			Detailed business description (including description of Products or Services sold).		
<input type="checkbox"/> Private <input type="checkbox"/> Other			Provide separate pages if needed: _____		

Ownership Information

You will also need to identify business owners. For sole proprietorships, it would be as simple as indicating your name, Social Security number, and contact information. Businesses with more than one owner, however, can prove to be somewhat confusing to identify as owners need to list and classify all names accordingly.

OWNER AND OFFICER INFORMATION				
Name of Principal and Title	Percent Owned	Social Security Number	Residential Address, City, State, ZIP	Residential Phone Number
	____%	____ - ____ - ____		
	____%	____ - ____ - ____		
	____%	____ - ____ - ____		
	____%	____ - ____ - ____		
	____%	____ - ____ - ____		

Follow this simple guideline:

- **Beneficial ownership:** If asked for a list of beneficial owners, then you only need to list the partners with more than 25% ownership of the company.
- **Control ownership:** This is the partner with the highest investment, or ownership percentage of the business, and usually has the decision-making authority among the owners.
- **Equal partnerships:** In the event of equal percentage partnerships among the owners, the applicant should be listed as the control owner and the rest (with more than 25% ownership) will be listed as beneficial owners.

Tip: What is this section for “Personal Guarantee”?

We found a few merchant application forms that will also request you to indicate a person as a “Personal Guarantee” along with your list of ownership information. Note that this section should not be filled out unless you operate a new business or sole proprietorship or if your business credit is poor enough that the processor requires it.

Business Profile

This portion of the form lets your potential processor know what to expect from you as a merchant. You will be asked to provide processing information to give them an idea of how you conduct business. Most of the questions are pretty straightforward for those that we did not highlight.

However, no merchant account application forms are the same. So, we took the liberty to quickly go through some of the sections that may become confusing, especially for first time merchant account applicants.

BUSINESS PROFILE / PROCESSING INFORMATION			
1 Have you ever accepted credit cards before? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, what is the processor's name? _____ Please provide the most recent 3 months of credit card processing statements.			
Number of locations?		If you are affiliated with an existing account, please provide existing merchant ID#.	
Do you bill your customers prior to goods being shipped? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, how many days? <input type="checkbox"/> 0-7 days <input type="checkbox"/> 3-30 days <input type="checkbox"/> 31-60 days <input type="checkbox"/> 61-90 days <input type="checkbox"/> Over 90 days			
What is your return and refund policy? (Please be specific)			
How do you advertise? (check all that apply) <input type="checkbox"/> Yellow pages <input type="checkbox"/> Telemarketing <input type="checkbox"/> Catalog <input type="checkbox"/> Internet <input type="checkbox"/> Word of mouth <input type="checkbox"/> Publications <input type="checkbox"/> Mass/Direct mail <input type="checkbox"/> Other, please explain:			
2 Credit Card Processing Methods (Must equal 100%) Terminal card swiped transactions _____% Manually keyed (Card Present with Imprints) _____% Mail Order / Telephone Order (Card Not Present) _____% Ecommerce Order (Card Not Present) _____% Total 100%		3 If the percent of transactions without imprints is greater than 20%, do you use third-party fulfillment house? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, whom? (Include contact name and phone number): _____	
		4 Average Transaction (Ticket) Amount (excludes AMEX): \$ _____ Total Monthly Sales (excludes AMEX): \$ _____	
5 Seasonal Business? If yes, indicate by "X" the months that are ACTIVE: <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Jan <input type="checkbox"/> Feb <input type="checkbox"/> Mar <input type="checkbox"/> Apr <input type="checkbox"/> Jun <input type="checkbox"/> Jul <input type="checkbox"/> Aug <input type="checkbox"/> Sep <input type="checkbox"/> Oct <input type="checkbox"/> Nov <input type="checkbox"/> Dec			
Card Types Requested? Select all that apply. <div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%;"> <input type="checkbox"/> Corporate Cards <input type="checkbox"/> Purchasing Cards <input type="checkbox"/> American Express (AMEX) <input type="checkbox"/> All Visa/MC/DISC/JCB/Diners Credit Cards </div> <div style="width: 50%;"> <input type="checkbox"/> All Visa/MC/DISC Debit Cards <input type="checkbox"/> Visa/MC Credit Cards & Business Cards only <input type="checkbox"/> Visa/MC Debit Cards & Business Cards only <input type="checkbox"/> Visa/MC Debit Cards only </div> <div style="width: 50%;"> <input type="checkbox"/> PIN Based Debit <input type="checkbox"/> EBT Cards </div> </div>			
<small>List the names of each of your independent contractors or agents that will have access to cardholder data, including any third-party order-taking service (e.g. teleservices): (Provide separate pages if needed)</small>			
BANKING INFORMATION			
Name of Financial Institution	Routing Number (Shown on the bottom of check)	Bank Account Number (Shown on the bottom of check)	Phone Number

The section in green asks for basic sales processing information. In general, the provider wants to know if you already accept non-cash payments as this would mean that you have a merchant account history with another payment processor. If your answer is "Yes," then make sure that you include a copy of your recent credit card processing information. The standard request is usually three months but will vary by provider depending on your business profile.

The section in red is the card matrix. You need to specify the types of credit card payments you accept and an estimate of how much each type of method makes up your monthly sales. Note that you only need a rough estimate for these percentages, which you can base off of your merchant processing statements. While it does not need to be an exact figure, remember that your provider's proposed rates will be determined in part on the estimates you provide.

The section in yellow should be left blank. This talks about card imprints that were used in the early days of credit card processing. Most merchant account application forms no longer have this section, but if you do encounter one, then simply leave it blank.

The section in pink will ask you to specify your total monthly sales and the average value/ticket per transaction. This will help the processor identify possible fraud by flagging transactions that are unusually higher compared to your declared average ticket.

You only need to identify your total card sales, so exclude cash sales when running your numbers. Also, note that providers will ask you to exclude sales that you processed through Amex from your declaration as Amex operates on a different business model than Visa and Mastercard, resulting in higher average merchant rates.

Tip: Some providers will ask for annual sales instead of monthly sales.

For example: Your total annual sales for last year amounted to \$600,000, of which 50% are card sales. This means your annual card sale is \$300,000. However if 10% of your card sales are Amex transactions, then your declared card sales should be \$270,000, computed as $[\$300,000 - (\$300,000 \times 10\%)]$

The section in blue is where you enumerate the non-cash payment methods that you want to accept. This means different types of cards, including debit cards, cash cards, and EBT cards. Additionally, you may choose to accept only certain card types from Visa or Mastercard, as each type carries different card network rates.

Lastly, this section asks you to specify any business partners who will have access to your customers' card information. For example, if you are using a third party to accept orders over the phone or if you outsource your customer service to an independent contractor.

The section on banking information requires you to list all bank account details where you plan to deposit proceeds of your sales. You will want to have both a savings account and checking account linked to your merchant account to avoid unnecessary delays regardless of how you would like to be paid.

Following this section, you will be asked to indicate which of these banks will be used to deposit proceeds from your ACH transactions. You will then need to fill an authorization form for automatic fund transfers (ACH) out. This document is usually included with the merchant application form as an addendum.

Tip: Consider alternate funding methods.

If your business requires you to have faster access to your funds, then ask about alternate funding methods. While providers may differ with the service, alternate funding usually offers faster deposit speed, such as next-day or same-day funding. Note, however, that this may imply an additional service fee.

Website Information

Oftentimes, website information is only a subsection of an application. However, if you are applying for an online merchant account, expect to find a dedicated section such as this on the application form. As with the processing information section, you will be asked to provide an overview of your online transactions, including whether you accept international payments.

Aside from your website details, some payment processors may also ask for a Website Login Tester access. If that happens, contact your website administrator or IT professional who helped set up your website.

WEBSITE INFORMATION	
URL	Industry
Product / Service Description	Descriptor <small>(It is recommended to choose a descriptor that contains your company's name or URL name)</small>
Website Login Test User ID	Website Login Test User Password
COUNTRY COVERAGE	CARD TYPE ACCEPTED
Percentage of Foreign Transactions (Must equal 100%)	<input type="checkbox"/> Visa Card <input type="checkbox"/> Union Pay <input type="checkbox"/> Master Card <input type="checkbox"/> JCP <input type="checkbox"/> Amex <input type="checkbox"/> Others _____
US _____%	TRANSACTION / VOLUME Transaction Currencies _____ Estimated Monthly Volume _____ Minimum Ticket Size (per transaction) _____ Highest Ticket Size (per transaction) _____ Average Ticket Size (per transaction) _____
Europe _____%	
China _____%	
Asia _____%	
CIS _____%	
Rest of the World _____%	
(Please Specify) _____%	

Rates & Fees Schedule

This section of the merchant application form will detail your payment processor's available services, but more importantly, it will show you its applied rates. Tick the boxes for the services you plan on getting with the understanding that these rates are based on your specified estimated sales volume.

If you end up with monthly sales more than what you had estimated, then you may be subjected to restructured rates. Check your payment processor's policy for this in its terms of service.

FEE SCHEDULE															
Discount Rate/Per Item Fee:		MOTO <input type="checkbox"/> Yes <input type="checkbox"/> No	Discount Method <input type="checkbox"/> Daily <input type="checkbox"/> Monthly												
Visa/MC/DISC/JCB/Diners Credit Cards	_____% + \$_____ per item	Visa/MC Debit Credit Cards	_____% + \$_____ per item												
Visa/MC/DISC Debit Cards	_____% + \$_____ per item	Interchange Pass-Thru	_____% + \$_____ per item												
Visa/MC Credit & Business Cards only	_____% + \$_____ per item	<input type="checkbox"/> 100% Interchange and assessments													
Visa/MC Credit, Debit & Business Cards only	_____% + \$_____ per item	<input type="checkbox"/> 100% Interchange (no assessments)													
<small>Cross border international transaction assessments/programs support, MC network access/brand usage (NABU), Visa US acquirer processing fee (APF), Visa Zero floor Limit, Visa misuse of the authorization system may apply. Further Visa/MC/DISC mandated fees, including association Base II and kilobyte fees, may also apply</small>															
Non -Qualified Surcharges: <input type="checkbox"/> Non-Qualified Surcharge Differential + _____.00 % Visa% <input type="checkbox"/> with Qualified Rewards at pass thru and Check Card Rebates at full difference <input type="checkbox"/> Non-Qualified Mid/Non Mid _____.00 % Non _____.00 % <input type="checkbox"/> with Qualified Rewards at pass thru and Check Card Rebates at _____.00 %															
Terminal/Network Authorizations Fees: Visa/MC \$_____ DISC/JCB/Diners \$_____ Amex \$_____ Voice & ARU Auth Fee \$_____															
Occurrence / Miscellaneous Fees <table border="0"> <tr> <td>Monthly Service Fee \$_____</td> <td>Application Setup Fee \$_____</td> <td>ACH Return Fee \$_____</td> </tr> <tr> <td>Chargeback Fee \$_____</td> <td>Monthly Minimum Discount Fee \$_____</td> <td>PCI FEE \$_____ Bi-Annually</td> </tr> <tr> <td>Wireless Setup Fee (one time/per terminal) \$_____</td> <td>Wireless Transaction Fee (in addition to transactions fees listed above) \$_____</td> <td>Wireless Monthly Fee (per terminal) \$_____</td> </tr> <tr> <td>Others \$_____ Description _____</td> <td>Others \$_____ Description _____</td> <td></td> </tr> </table>				Monthly Service Fee \$_____	Application Setup Fee \$_____	ACH Return Fee \$_____	Chargeback Fee \$_____	Monthly Minimum Discount Fee \$_____	PCI FEE \$_____ Bi-Annually	Wireless Setup Fee (one time/per terminal) \$_____	Wireless Transaction Fee (in addition to transactions fees listed above) \$_____	Wireless Monthly Fee (per terminal) \$_____	Others \$_____ Description _____	Others \$_____ Description _____	
Monthly Service Fee \$_____	Application Setup Fee \$_____	ACH Return Fee \$_____													
Chargeback Fee \$_____	Monthly Minimum Discount Fee \$_____	PCI FEE \$_____ Bi-Annually													
Wireless Setup Fee (one time/per terminal) \$_____	Wireless Transaction Fee (in addition to transactions fees listed above) \$_____	Wireless Monthly Fee (per terminal) \$_____													
Others \$_____ Description _____	Others \$_____ Description _____														
PIN Based Debit/EBT Fees: PIN Based Debit Per Item Fee \$_____ PIN Based Debit/EBT Monthly Fee \$_____ <input type="checkbox"/> Debit Interchange PIN Based Debit/EBT Application Fee \$_____ EBT Per Item Fee \$_____															
Non-Bankcard Types (AMEX): AMEX Transaction Fee \$_____		AMEX Fees disclosed in this section are billed by American Express <input type="checkbox"/> Monthly Gross Pay <input type="checkbox"/> Daily Gross Pay AMEX Pay Frequency <input type="checkbox"/> 3-Day <input type="checkbox"/> 15-Day <input type="checkbox"/> 30-Day Annual AMEX Charge Volume \$_____ Average AMEX Ticket \$_____													
Check Services (select one): <input type="checkbox"/> Standard Verification <input type="checkbox"/> Standard Guarantee <input type="checkbox"/> Premium Verification * 1 <input type="checkbox"/> Premium Guarantee* Monthly Subscription Fee \$_____ Monthly Minimum \$_____ Per Transaction Fee \$_____ Monthly Subscription Fee \$_____															
Business Office Conversion Monthly Fee (Premium Guarantee Imaging only) \$_____		Application Fee \$_____ * Premium selections include Electronic Check Conversion													
Multiple Check Fee (Standard Guarantee only) \$_____		1- Returned Item Fee Applies: \$3.00/item													
Maximum approval limit \$1500.00. All services include Business Check & Stop Payment at no charge.															

Tip: Watch out for tiered pricing.

It's important that you know how to identify tiered-pricing in a merchant application form so that you can avoid signing up for this type of merchant account:

- Expressed outright under “Pricing Type” or “Application Type”
- Expressed in terms such as “Qualified,” “Mid-Qualified,” and “Non-Qualified.”

To give you an idea, our example above includes a subsection called “Non-Qualified Surcharges” **outlined in red**.

Note the following points when going over the fee schedule:

- **MOTO:** Mail Order/Telephone Order payments are often referred to as MOTO. Tick the box for “Yes” if your business takes orders and accepts payments over the phone, or you otherwise need to manually type in payments. This is also referred to as a “virtual terminal.”
- **Discount Method:** Indicate whether you prefer to pay your processing fees as you go (daily discount) or at the end of the month (monthly discount). Daily discounts are easier to read and are ideal especially for small businesses or startups, whereas monthly discounts are better if you have a large volume of transactions and want an easy way to compare your month-to-month payment processing expenses.
- **Terminal/Network Authorization Fees:** Take note of the rates, as every transaction requires authorizations that are automatically requested each time a payment is processed.
- **Miscellaneous Fees:** **(outlined in yellow)** This is where you'll find other fees related to your merchant account, such as a setup fee, monthly account maintenance fees, PCI fees, ACH returns, and chargebacks. It will also mention any monthly minimums and other incidental expenses for using terminal services.
- **PIN Based Debit/EBT Fees:** Take note of the fees associated with this service if you have asked your provider to process PIN-based debit and EBT card payments.
- **Amex Fees:** If you plan on accepting Amex card payments, then you'll need to fill in this section. It will ask you about your regular Amex sales volume and your average Amex transaction value. Tick the box for your preferred pricing model and gross pay fees (monthly vs daily). Should you choose a discount rate, you'll need to specify your business type as well. Note, not every merchant account and application will have this section.
- **Check/ACH/EFT Services or ACH Fees:** **(outlined in green)** Take note of the associated fees for these types of transactions. While most businesses are shifting to digital check services, some small businesses still prefer to accept paper checks. Depending on your payment processor, it can offer just one or both. In either case, you will be asked to specify the level of guarantee or verification that will be provided for each payment.

Tip: Work with an independent sales organization (“ISO”) payment processor.

While you can have one payment processing provider handle your card transactions, additional types of payment methods, such as ACH and eCheck payments, may require a separate underwriting process with a different processor. If you sign up with a payment processor that’s also a software provider or an ISO, then you won’t have to worry about filing a separate application.

Sections to Leave Blank

Ideally, you should be able to independently fill in the merchant application form. However, some sections can be left blank, particularly the details where you need a payment processor representative to complete. For example, in order to fill out the Equipment Section, you will need your provider’s expertise in determining hardware and software that match your requirements.

STEP 7

Know How to Negotiate the Best Transaction Rates

In general, the best way to convince payment processors to offer you lower processing rates and cut your incidental fees down is to prove that you are a low-risk merchant. Make sure that your documentation shows evidence that you have an established business with increasing sales and very few chargebacks, a good credit standing, and a good account standing with your current provider (if applicable).

Beyond that, showing that you are knowledgeable of how fees work will ensure that you get the best value from your payment processor. The following proactive steps will help you get started:

1. Know Which Fees Are Negotiable

Unless you understand merchant fees, you won't be able to negotiate better rates. We talked about pricing models in Step 2, but you also need to be familiar with the different fees that make up each. Of the three, only one type is issued by the payment processor and negotiable. To illustrate:

	Assessment Fee	Interchange Fee	Markup Fee
Fee set by	Card network	Card network	Payment processor
Fee basis	Total monthly sales per card brand	Percentage of monthly transactions	Percentage of monthly transactions
Purpose	For the use of their card brand	For operational cost and accepting risk of doing business	For operational cost and commission
Fee paid to	Card network	Card issuing bank	Payment processor
Negotiable	No	No	Yes

Card network: Visa, Mastercard, Discover, and Amex

Card issuing bank: Examples are Chase and Bank of America

Tip: Know when to upgrade.

Remember that as your business grows, you'll eventually need to look for alternative providers that will offer a better pricing model and lower rates. As you make your decision, keep in mind that only the interchange-plus and membership pricing models with a clear processor markup identified can be easy to negotiate.

2. Understand the Effective Rate

The effective rate is the true percentage rate that you pay for payment processing out of your total sales volume. It sums up all the fees associated with accepting a card payment: interchange, assessment, markup, and other monthly and incidental charges.

Because some of these fees are expressed in a dollar value and not as a percentage, the quickest way to compute the effective rate is to work back from the total monthly processing fee and divide it against the total monthly sales.

HOW TO CALCULATE EFFECTIVE RATE

$$\text{TOTAL DEDUCTED FOR PROCESSING} \div \text{TOTAL MONTHLY SALES} \times 100 = \text{EFFECTIVE RATE \%}$$

EXAMPLE

$$\$704.22 \div \$22,563.88 = 0.03121 \times 100 = 3.12\%$$



Tip: What's an acceptable effective rate?

Interchange fees (non-negotiable fees) should constitute up to 80% of your overall monthly processing fees. Your payment processor's effective rate (markup) should not be more than 3.5%. In many cases, established, low-risk businesses should be able to negotiate effective rates below 3%.

3. Get Several Quotes

When canvassing for potential payment processors, you should ask at least three providers for a detailed pricing quote. As mentioned earlier, you can start the process by filling out an initial online application to make sure that you are presented with custom rates applicable to your specific type of business. Don't hesitate to shop around and let them know that you are considering other options. Account representatives are usually helpful and will be more than willing to match a competitor's price.

Once you get all the hard quotes, compare your expected monthly cost by looking closely at both their per-transaction markups and recurring fees. Also, look for other services or features that you need and note whether they are already included or not. For example, PayPal offers a free virtual terminal like many other providers; however, you'll need to pay to use its recurring payments tool, which you may find included in competitors' free plans, like Helcim.

Tip: Ask for interchange-plus quotes.

Interchange-plus pricing is the easiest to compare because both card network and provider fees are already separated. If you consistently handle large volume transactions, then membership pricing is also a good option for comparing quotes. Both pricing methods make it easy to identify who has the lowest markup, the lowest monthly fees, and how much of the fees are open for negotiation.

If the payment processor's website does not mention interchange-plus pricing, then ask. Most providers can accommodate requests for a specific pricing method, especially if they are trying to convince you to migrate your payment processing system. They will want to make sure that your transition will be as painless as possible, so it's not uncommon for them to adapt the pricing method you are used to.

4. Negotiate to Find the Payment Processor Offering the Best Deal

Before inviting potential providers to the negotiating table, make sure to have a working idea of the payment terms and processes that you want. Then, take time to reach out to each provider and present your research, showing rate comparisons, and ask for the best deal.

For example, it's important to bring up monthly fees, contract length, cancellation policies, and early termination fees (ETF). A low-risk, small business payment processor confident with its pricing and service will not try to hold a merchant in a long-term contract or ETF. If it has this, then ask if the fee can be waived.

Negotiate the Processor Markup

Once you've identified the processor markup, the next step is to know which portion of this pricing you should negotiate. To illustrate:

Going back to our example in Step 2: Interchange-plus 0.15% + 20 cents

If your average ticket size is	Negotiate for a lower	In the example
Small	Fixed fee markup	20 cents
Large	Percentage markup	0.15%

- Negotiating for a lower fixed fee saves you X number of cents for every transaction, so the more transactions you have, the bigger the savings.
- Negotiating for a lower percentage markup saves you a portion on the total ticket size, so the larger the transaction (regardless of volume), the bigger the savings.

Tip: Compute for the effective markup rate.

Learn about the effective markup rate as well. Unlike the effective rate, this does not use the work back method. Instead, it computes the monthly and per-transaction markup separately to arrive at the total monthly markup rate above (card network) interchange.

Example of processor markup: Interchange plus 0.15% + 20 cents

With this method, you can immediately identify which portion of your transaction fees are negotiable.

Get the step-by-step guide on computing the effective markup rate in the [Annex](#).

Negotiate the Monthly Fees

Additional fees can drive up your monthly payment processing cost, so make sure you are aware of these. Some can be avoided and negotiated, but you need to get organized and start a list, so consider the following tips:

- Review the fees schedule of your merchant account application form and make a list of fees mentioned in the contract.
- Ask your account representative for any undisclosed fees and request to see the fine print. Make sure to inquire about each and add this to your list.
- If you are considering switching to a different payment processor, then compare the list with your current fees and mark items that were included or free in your current payment processor.
- Compare the fees of other payment processors and note which items in your list are waived or free.
- Ask each of your potential payment processors to match the offer.

See our [Annex](#) for a template you can use to help you negotiate your monthly fees.

STEP 8

Learn What to Do When Your Merchant Account Application Is Declined

There are a few reasons behind a declined merchant account application, and not all of them are final. The first thing you need to do is reach out to your account representative to let them know that you are open for a discussion in order to be reconsidered. Once you've done that, go back to steps 1–7 and prepare to review.

The table below provides a quick explanation and guide for dealing with a notice of disapproval from your payment processing provider.

Scenario	Possible Reason for Disapproval	Next Steps
Your business is new	Most new and very small businesses often do not need a separate merchant account	Consider signing up with a payment aggregator, such as Square or PayPal
You or one of your partners have a previous merchant account terminated by the bank or processor	You or your partner are most likely on the MATCH* list	You may need to apply for a high-risk merchant account instead; ask for a referral
Your documentation is incomplete	Some of your documents may have been invalidated or insufficient	Go over your supporting documents with the account representative
Your chargeback rate is high**	Some providers will consider such businesses as risky if you have a high chargeback rate	Propose to open a security reserve; if that does not work, consider applying for a high-risk merchant account, such as with PaymentCloud
Your business is considered high-risk	Not all payment providers can support high-risk merchants	Ask to be referred to a payment processor partner that specializes in high-risk merchant accounts
Your estimate of your average ticket size and monthly/annual transaction volume are unrealistic	Estimates that are far from an industry's average may be viewed as intentionally misleading	Work with your account representative to go over the numbers and provide an explanation

***MATCH List:** Maintained by Visa and Mastercard, this is a list of all merchants whose accounts have been terminated for any reason by the bank, payment processor, or card network. Make sure that your partners are not on this list because of a previous business to avoid the risk of being declined for a merchant account. Those who are on the MATCH list stay on the record for five years.

****Chargeback Rate:** The chargeback rate is an expression of the number of times you receive a dispute against your business for fraudulent transactions, compared to your transaction volume for a specific period. An acceptable chargeback rate is around 0.5%. The higher the chargeback rate, the greater the risk of doing business, so merchants with a high chargeback rate (1% is considered high) have difficulty being approved for regular merchant accounts.

Basically, a declined merchant account application does not mean that you're running an impossible business—it simply means that you have yet to find the provider that's most compatible with and can support your business. Or you just need to take extra steps, such as opening a reserve or applying for a high-risk merchant account instead of a low-risk one. Either way, consult with your account representative to make sure you have better chances of being approved the next time around.

BOTTOM LINE

Applying for a payment processing merchant account can be both intimidating and confusing; however, this can be minimized with enough preparation. As the payment processing industry quickly evolves with the ever changing user demands and technology, the application process—though now faster—remains fairly the same. We hope that this merchant application guide helps give you a more pleasant experience in growing your business.

ANNEX

ACH Authorization Form

Example of an actual ACH Authorization Form by TransFirst LLC



Automated Clearing House (ACH) Addendum

(To be used in conjunction with the Credit Card Application for merchants choosing to process Credit Card and ACH transactions)

STW Short Name: _____ Assoc #: _____

Sales Rep Name _____ Sales Rep Code: _____ Branch # (if applicable) _____

Business Information

Merchant DBA Name: _____

What percentage of ACH payments is from:

Businesses: _____% Consumers: _____% (Must equal 100%)

Do you have a refund policy? No _____ Yes _____
If yes, please describe exactly as presented to customer:

Describe specific product or services the company offers for which the ACH processing services will be used:

Processing Information

Have you accepted ACH payments before? No _____ Yes _____ If yes, name of previous ACH processor: _____
(Please provide the most recent 3 months of ACH processing statements)

For Internet merchants, please list all URL's for which the ACH services will be used. Include login's and passwords for any "membership" type websites:

Projected ACH Transaction Volume and Threshold Parameters

Maximum Single Transaction Amount:	Maximum Number Daily Transactions:	Maximum Monthly Transaction Amount:	Maximum Number Monthly Transactions:
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Projected ACH Transaction Activity

TYPES OF ACH PAYMENTS ACCEPTED AND PERCENTAGE OF TOTAL TRANSACTIONS:

Internet Initiated Entries (WEB)	Telephone Initiated Entries (TEL)	Prearranged Payment & Deposit Entries (PPD)	Corporate Credit or Debit Entries (CCD)
% of Total	% of Total	% of Total	% of Total
_____	_____	_____	_____

(Must equal 100%)

TELEPHONE Authorizations Must Be Recorded

How are authorizations obtained: _____ Recording is done: In house _____ By a third-party _____

If by a third-party:

Company Name: _____ Phone: _____ City: _____ State: _____

Contact Name: _____ Title: _____

Dial-in Number: _____ Login: _____ Password: _____

Internet URL: _____ Login: _____ Password: _____

ACH Fees

Per Transaction: \$ _____	Per Return: \$ _____	Discount Rate: _____ %	Monthly Maintenance: \$ _____	Application Setup Fee: \$ _____
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ACH Banking Information

Name of Financial Institution	Routing Number (Shown on the bottom of check)	Bank Account Number ** (Shown on the bottom of the check)	Phone Number
**			
**			

****AUTHORIZATION FOR AUTOMATIC FUNDS TRANSFER (ACH):** TransFirst is authorized to initiate or transmit automatic debit and / or credit entries to the account identified in the *provided voided check* relating to the above account (**) for all services contemplated under this Agreement. Said authority is granted to TransFirst, its processors and their agents.

Please mark one box indicating the type of account to be used for ACH entries: ☐ Checking Acct ☐ Savings Acct ☐ Bank GL Acct

For purposes of this application, "TransFirst" is TransFirst, LLC, located at 371 Centennial Pkwy, Louisville, CO 80027 and can be contacted at (800) 654-9256.

Agreement Signature: Each person signing below agrees that they have read and agree to the terms and conditions which have been provided to them and certifies that all information provided in this application is true, correct and complete. Each person authorizes TransFirst or any credit bureau or any credit reporting agency employed by TransFirst or any agent of TransFirst, to make whatever inquiries TransFirst deems appropriate to investigate, verify or research references, statements or data obtained from Merchant for the purpose of this application, including requesting reports from consumer reporting agencies on persons signing below as an owner or general partner of Merchant or as a Guarantor (if such person asks TransFirst whether or not a consumer report was requested, TransFirst will tell such person, and if TransFirst received a report, TransFirst will give such person the name and address of the agency that furnished it). Each person also authorizes TransFirst to give information to others, including other creditors and credit reporting agencies, concerning TransFirst's experience with Merchant. TransFirst may request additional information if TransFirst decides that it is necessary. Each person agrees to notify TransFirst, or its processor(s), of any and all changes which occur from time to time in the information and statements contained herein. Each person understands that TransFirst, or its processor(s), will debit the account specified in the ACH Banking Information above for all setup fees, including any non-refundable application fee, as an ACH item, upon receipt of this completed application, and all subsequent monthly service and transaction fees, via an ACH transaction. **PLEASE CAREFULLY REVIEW THE TERMS AND CONDITIONS OF VERSION 1.1208 OF THE ACH TERMS AND CONDITIONS PROVIDED TO YOU AND AVAILABLE AT WWW.TRANSFIRST.COM/DOCUMENTS.HTML, WHICH ARE HEREBY INCORPORATED BY REFERENCE. BY SIGNING BELOW, (i) YOU ACKNOWLEDGE THAT YOU HAVE READ, UNDERSTOOD AND AGREE TO THOSE TERMS AND CONDITIONS AND (ii) YOU AGREE TO ACCEPT ELECTRONIC NOTIFICATION OF ANY CHANGES TO THOSE TERMS AND CONDITIONS.**

Merchant Signature:

X _____
Merchant Signature (Principal or Owner)

Name (Print or Type) Title

Date

Guarantor Signature:

X _____
Guarantor Signature

Name (Print or Type)

Date

FOR INTERNAL USE ONLY

Accepted by Processor Date

Print Name Title

Computing for the Effective Markup Rate

Example:

- **Pricing model:** Interchange plus 0.20% + 15 cents
- **Estimated monthly transaction volume:** \$10,000
- **Average ticket size:** \$50
- **Total monthly fees:** \$25

Where:

Interchange plus	0.20%	15 cents
	Percentage markup	Per-transaction markup
Card network rate	Payment processor markup (negotiable)	

Procedure:

Step	Goal	How to compute	Example
1	Get the monthly markup based on volume	Monthly volume x Markup rate	$\$10,000 \times 0.0020 = \20
2	Get your average number of transactions per month	Monthly volume ÷ Average ticket size	$\$10,000 \div \$50 = 200$
3	Get the total per transaction fee per month	Ave. number of transactions per month (#2) x per transaction markup	$200 \times 15 \text{ cents} = \30
4	Get the total monthly cost paid to payment processor	#1 + #3 + Total monthly fees	$\$20 + \$30 + \$25 = \75
5	Get the effective markup rate	Total monthly cost ÷ Monthly volume	$\$75 \div \$10,000 = 0.75\%$

In this example, any payment processor alternative with less than a \$75 monthly markup fee or 0.75% monthly markup rate is a better option.

Additional Merchant Fees Template

Copy this format on any spreadsheet.

Fees	Current Provider	Option 1		Option 2		Option 3	
		Original	Adjusted	Original	Adjusted	Original	Adjusted
One-off							
Recurring							
Incidentals							
Penalties							

Add more rows and group each type of fee. Some of the most common fees are:

- **One-off fees:** Account setup, consultation, installation, training, gateway setup, etc.
- **Recurring fees:** Monthly/annual account maintenance fee, renewal fee, equipment rental, payment gateway fee, virtual terminal fee, PCI compliance fee, statement fees
- **Incidentals:** Same-day deposit fee, batch fee
- **Penalties:** Monthly minimum, chargeback, returns

Payment Processing Services Buyers' Guides

Looking for a particular payment processing service? Check out our recommendations:

- [Best Merchant Services](#)
- [How to Accept Credit Cards Online - Top Credit Card Payment Processors](#)
- [Best Free Merchant Account Service](#)
- [Cheapest Ways to Accept Recurring Payments](#)
- [How to Accept Credit Card Payments Online for Free - Top Providers](#)
- [Cheapest Credit Card Processing Companies](#)
- [Best High-risk Merchant Account Providers](#)
- [Best Mobile Credit Card Processing Providers](#)
- [Best Restaurant Payment Processors](#)
- [Best Retail Payment Processors](#)
- [Best Nonprofit Credit Card Processing Solutions](#)
- [Best Payment Gateway](#)
- [Best Virtual Terminals](#)
- [Best B2B Payment Solutions](#)
- [Best Credit Card Readers](#)
- [Best Credit Card Payment App](#)
- [Best Credit Card Readers for iPhone](#)
- [Best Credit Card Readers for Android](#)
- [Best Chargeback Protection Service](#)

