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## Batch Transactions Daily to Save on Interchange — and Fines

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How often do you “batch” your credit and debit card transactions? Do you send transactions off to be processed and settle your point-of-sale terminals whenever it’s convenient? Is it once a day, once a week or once a month?

Both Visa® and MasterCard® have strict timelines for settling transactions through their systems. In most cases, transactions need to clear through the card companies within two days, excluding Sundays and major holidays, to qualify for the most favorable interchange rates. That means Heartland — and other payments processors — have only two days to process your transactions and forward them to Visa and MasterCard ... which, in turn, forward them to the issuing bank.

### Batching even one day late can significantly increase the interchange rate.

Transactions that don’t meet the two-day time period are “downgraded” to a higher rate — which means you actually pay more for them. If you settle your accounts only one day late, it costs you as much as 0.76% more per retail transaction for Visa transactions and 0.31% more for MasterCard transactions. As more time passes, the fees get even higher — as much as 1.16% more for Visa and 1.12% more for MasterCard.

For example, a \$100 Visa retail card-swiped transaction has an interchange rate of 1.54 percent + 10 cents (\$1.64) if you settle daily. If you settle only once a month, that very same \$100 transaction now has an interchange rate of 2.70 percent + 10 cents (\$2.80) — nearly doubling the amount you pay in interchange. In addition, late batching results in delayed payment on those transactions.

As if paying higher interchange rates isn’t reason enough to settle your accounts and terminals at the end of each day, a fine from Visa and MasterCard just might be. In fact, if you don’t settle your batch within three business days, and you consistently send in late transactions, you may face a hefty fine. Visa assesses anywhere from \$5,000 to \$50,000 or more for violations considered to be repetitive and willful.

Add cardholder satisfaction — or dissatisfaction — to the higher rates and fines. Most issuing banks drop the holds based on the authorized amounts from cardholders’ accounts after seven days. If the hold is dropped on the seventh day, and the sale comes in on the tenth day, the customer may experience an overdraft. As recourse, a customer may request a refund of the overdraft charges as well as a letter to clear his/her name. Worse yet, the cardholder may decide to no longer patronize your business.

Lastly, the longer you wait to download transaction information, the longer it takes to show up on a customer’s billing statement. After some time, the customer can dispute the charge and request a refund — which comes in the form of a chargeback to your business. If a settlement is processed more than 30 days\* after the transaction date, you could also receive an additional “late-presentment” chargeback where the transaction gets “charged back” to your business.

Consider batching your transactions on a timely basis. If all other qualifying criteria are met, you qualify for the best interchange rates by settling your transactions daily. Plus, you avoid paying any fines to Visa and MasterCard — putting that money back in your business where it belongs.

\* Currently, MasterCard accepts transactions — with no penalty or chargeback — within 30 calendar days from the transaction date. Effective October 3, 2008, the acquirer has a maximum of seven calendar days after the transaction date to present the transaction to the issuer.



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*Heartland is the founding supporter of The Merchant Bill of Rights, a public advocacy initiative that educates merchants about fair credit and debit card processing practices. For more information, contact Heartland Payment Systems at 866.941.1HPS or visit [HeartlandPaymentSystems.com](http://HeartlandPaymentSystems.com) and [MerchantBillOfRights.com](http://MerchantBillOfRights.com).*