

How to avoid Interchange downgrades

Interchange rates are the underlying credit card processing costs associated with the transfer of funds between the credit card processor and the bank that issued the credit card used by your customer. There are hundreds of different Interchange categories. Each of these categories applies to the type of card being accepted and the method used to process the credit card. If you are reviewing your credit card processing statement and you see the letters “EIRF”, take note.

When a transaction falls into a more expensive interchange category it is referred to as a “downgrade”. Downgrades and the associated higher rates are something that all merchants want to avoid. Major credit card organizations, such as Visa, Discover Card and MasterCard, maintain Interchange Downgrade rates for both credit card and debit card transactions that fail to meet the requirements for the transaction to clear at the card’s correct Interchange Rate. Interchange Rates that are downgraded are higher than the normal Interchange fee.

There are many different Interchange downgrade categories; however, EIRF is the most common.

Electronic Interchange Reimbursement Fee (EIRF)

The EIRF is a common surcharge that can either be avoided or minimized. This rate is usually applied to transactions that lack proof of compliance or that are not settled within 2 days of the authorization. For example, retail, restaurant and supermarket EIRF occurs if the transaction was voice approved and the batch was closed 72 hours after authorization. Mail or telephone orders through e-commerce merchant accounts will be subject to EIRF if the batch isn’t closed daily or if sales tax isn’t applied to a commercial card. Lodging EIRF will occur if the folio number or check in/check out dates are missing.

EIRF can be avoided through settling batches every night. Transactions that take longer than 48 hours to settle will often default to EIRF. Always enter sales tax as a separate field for commercial card transactions. Ensure a smooth AVS verification through accurately entering the address and CW2 codes. If the transaction amount changes, request a new authorization code to avoid having the final charge mismatching the original authorization. Finally, always avoid keying in a card and forcing verification.

In conclusion, merchant accounts can be successfully managed through clearing transactions at the correct Interchange in a timely manner. This will avoid EIRF and ensure that you maintain the lowest possible processing costs.

Thank you for being a valued customer of Audit Advantage.

Please contact us with any questions.

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