

PROTECT YOUR MONEY

THROUGH SMART
CREDIT CARD PROCESSING



BankCardUSA★
MERCHANT SERVICES | SINCE 1993

PROTECTING YOUR MONEY

The entire credit card processing industry is geared toward the protection of the cardholder. Make sure you protect your business by understanding this and protecting your transactions using the tools presented here.

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I

LOSS PREVENTION

Loss Prevention protects your business and assets from potential fraud, helps limit losses, and provides a resolution for your company. The following tools will enable your business to stay ahead of trends to effectively manage risk and detect fraud.

a

ADDRESS VERIFICATION SERVICE (AVS)

AVS allows the seller to verify the cardholder's address with the Issuing Bank. AVS does not always guarantee that a transaction is valid.

Possible AVS responses:

A = Address Match Only

Z = 5 Digit Zip Code Match Only

Y = Address and 5 Digit Zip Code Match

N = No Match on Address or Zip Code

S = Service Not Supported (common on foreign sales)

U = Address Information is Unavailable (common on foreign sales)

R = Address Verification Service Unavailable, Retry

W = 9 Digit Zip Code Match Only

X = Address and Full 9 Digit Zip Code Match

b

CARD VERIFICATION VALUE

Card Verification Value Service is used by all card types and is a 3-digit security number indent printed on the back of credit cards to help validate the legitimacy of the card (Visa CVV2, MasterCard CVC2, Discover CVD, Amex CID). For Amex, the CVV code is a 4-digit number located in front of the card).

Possible validation responses:

M (Y for Amex) = Match

N = No Match

P = Not Processed

S = Should Have Been Present

U = Issuer Unable to Process

c

MONITORING DECLINE ACTIVITY

It is important to monitor your declined activity on a daily basis.

Here are some helpful tips:

- ▶ Look for obvious signs
- ▶ Look for multiple attempts for the same order whereby the customer is using multiple different credit cards and getting multiple declines
- ▶ Look for generic email addresses, customer names, phone numbers
- ▶ Call the phone number that was entered on the transaction in question
- ▶ Trust your instincts

d

IP ADDRESS LOOKUP

IP Address Verification websites are helpful tools if you are unable to verify an order as being “legitimate”. They allow you to compare the IP address from where the order was placed to the customer’s stated location and services or products being rendered.



A great website for IP Address Lookups is:

www.melissadata.com/lookups/iplocation.asp

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CALL THE CARD ISSUING BANK (CIB)

Some banks are more helpful than others but most will answer yes and no questions on whether the cardholder name, address and phone number match the billing details for the cardholder. You will need the full card number in order to verify any information with the issuing bank. A website you can use to lookup issuing bank phone numbers is: www.binbase.com/search.html

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SHIP PRODUCTS TO THE BILLING ADDRESS

It is recommended that merchants ship products to the billing address of the cardholder and require a signature. Most chargebacks that fall into fraud reason codes require that you have an AVS response of **Y** or **X**, that the order be shipped to the true billing address of the cardholder, and that a signature confirmation be secured verifying the delivery.



When shipping products, always choose a shipping service that provides a tracking number and insurance.

II

CHARGEBACK MANAGEMENT AND EDUCATION

Educating yourself about Chargebacks will help minimize or eliminate loss for you and your company. It is imperative that each merchant know the procedures and time frames allotted for retrievals and chargebacks.

a

RETRIEVALS VS. CHARGEBACKS

A **retrieval** is an inquiry to a transaction. Retrievals fall into many reason codes and are most common in a retail swiped environment.

A retrieval becomes a chargeback if not responded to within 30 days.

A **chargeback** is a cardholder dispute. Like retrievals, chargebacks fall into many different reason codes. When a chargeback comes through to the acquiring bank (credit card processor), the acquiring bank must send the funds to the issuing bank for the disputed transaction. Most acquiring banks will then debit the merchant's bank account. The merchant must then submit a rebuttal in order to retrieve the funds back from the chargeback.

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b

TIME FRAMES FOR RETRIEVALS AND CHARGEBACKS

Time frames for the merchant to respond to retrievals and chargebacks:

▶ **Retrievals:** 30 days

▶ **Chargebacks:** 40 days

Most acquiring banks will send a merchant a notification requesting a response much sooner than the 30 or 40 days to encourage a timely response. This is done to allow the chargeback department adequate time to represent the chargeback for a reversal in the merchant's favor.

c

TIME FRAMES TO DISPUTE TRANSACTIONS

How long does a cardholder have to dispute a transaction?

A common **misconception** is that the cardholder has **60 days** or **180 days** to dispute a sale. The truth lies in the reason for the dispute. In most cases, the cardholder has **120 days from the date of discovery** to dispute a transaction. The date of discovery can be the transaction date, the event date, or even the date that the cardholder last had contact with the merchant.

Chargebacks for non-receipt of merchandise or services not rendered can go much **longer than the 120 day window**.

Dispute time frames for American Express and Discover transactions are typically **one full year** from the transaction date.



Please refer to our 35 page Program Guide. Contact BankCard USA for this additional information.

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FIGHTING CHARGEBACKS

Below are some common chargeback reasons, along with suggestions on how to handle such situations:

Fraud

Look for a positive AVS Response (Y or X) at the time of processing, ship to the billing address, and provide proof of delivery with signature confirmation.

Non-receipt of Merchandise/Services Not Rendered

Use all of your resources to demonstrate that the cardholder received the product(s). Provide a detailed invoice along with proof of delivery with signature confirmation. Locate the cardholder's social media accounts - often people will post photos or comments about new product(s) they just received.

Credit Not Processed

Provide proof to the cardholder that services were rendered and that the cardholder agreed to your "No Refunds" policy. An e-commerce merchant must place a refund policy on its website and have the cardholder click to accept or agree to the terms and conditions during the checkout process.

Not as Described

This is often the trickiest chargeback reason code and likely the most common to go to arbitration. The cardholder is disputing the quality of the goods or services rendered. Provide the usual documentation along with a detailed letter of explanation why the products were "as described".



Many retrievals and chargebacks can be quickly and easily resolved by simply working directly with the cardholder.

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CHARGEBACK REVERSALS

After earning a chargeback reversal, am I still at risk?

Yes. After a chargeback is reversed in the merchant's favor, the cardholder has **120 days from the date of the chargeback reversal** to offer their rebuttal. If the cardholder decides to continue the dispute, the issuing bank will often send a pre-arbitration notice of its intention to take the case to arbitration. The acquiring bank can then accept the pre-arbitration and send the funds back to the issuing bank and debit the merchant accordingly. If the acquiring bank rejects the pre-arbitration case, the transaction will go to arbitration with the applicable card association. The losing party will be required pay a **\$300-\$500 fee** in addition to the amount of the initial transaction.

III

SELECTING THE RIGHT PROVIDER FOR YOUR BUSINESS

Acquiring Bank and Merchant

vs.

Issuing Bank and Cardholder

Communication from your merchant account provider is essential. Make sure your provider is available to you via telephone, email, etc. When you select a merchant account provider, you should enter into the relationship as a **partnership** - not a dictatorship from either side.

Your merchant bank is on your side.



For additional information, contact BankCard USA at 1.866.861.2685 and ask to speak to an Account Executive.

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