

Credit Card Surcharges and What They Mean for You

As of January 27, 2013, as a result of a settlement between retailers and card companies, stores and online merchants in 40 states can add up to a 4 percent surcharge to purchases made with a VISA or MasterCard credit card.

What do consumers need to know about this new fee, and how can they avoid it?

The fee cannot exceed 4 percent of the total purchase. The surcharge is meant to offset the cost to the retailer of processing the credit card transaction, which is typically between 1.5 and 3 percent of the total transaction. The settlement, however, allows the merchant to pass up to four percent of the total cost of the transaction on to the consumer as a credit card fee. That means if you purchase a \$400 HDTV, the credit card fee could add up to \$16 to the bill.

Retailers must inform you of the fee. Any merchant who chooses to impose this fee on consumers is legally obligated to post a notice in the store (such as near the entrance or by the checkout counter) or on the receipt that the fee will be applied. However, the exact percentage used to determine the fee does not need to be disclosed until the point of purchase. Consumers who do not wish to pay the added fee should watch for this notification and use a debit card or alternate form of payment to avoid the fee.

There are several ways to avoid paying the fee. The easiest way to avoid this fee is simply to avoid using credit cards at stores and websites that choose to impose the fee. Debit cards, personal checks and cash are all fee-free payment options. VISA and MasterCard are also the only credit cards currently eligible for the fee, so American Express and

Discover cards will not have extra cost for the consumer.

So, if you're planning on making a large purchase from a retailer that applies this fee to credit card purchases, be sure to include the fee in your calculations and budgeting process. That way, you'll avoid being surprised at the check-out!



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