

Is Credit Card Processing easy?

Merchant Accounts

Merchant accounts are bank accounts of merchant processing banks that enable a business unit to accept all kinds of cards, such as debit cards and credit cards. They are also termed as payment processing accounts and merchant card processing accounts. In the overall transactions, the credit card issuing bank is the consumer, while the merchant processing banks are the merchants, and both are responsible for all the transactions between the parties they render their respective services.

Merchants (business men) willing to accept payments through credit cards for their services or products, should apply for a merchant account, and can do this by directly approaching a bank or by taking help of a bank's representative. Like all bank accounts, merchant accounts are always underwritten and valued on basis of certain factors. However, these factors are not considered obvious by some merchants. Underwriters figure out the risks based on four factors, 1) the total amount of money to be processed by credit cards, 2) the type and quantity of products, 3) steps for marketing the product, and 4) the reputation and the credit status of the business unit. A merchant account represents a line of credit in many different ways to the merchant for a time span that continues till the merchant's client settle the whole credit; and this may even continue for a year from the transaction date. Based on a few parameters, banks evaluate the business sectors that are capable to incorporate losses to them. As a result, low risk business units and businessmen have higher number of options to choose from and are easily approved for opening a merchant account than the high risk business units and their owners.

Businesses considered to involve low risks accept credit cards at retail outlets and operate by swiping the cards through a terminal and makes the customers sign the transaction receipt, e.g. groceries, restaurants etc. These business units usually don't incur a loss to their respective banks.

Business units considered to involve high risks are not easily approved in opening a merchant account. Business owners were found to seek credit, invest in their business and wait for the return. Examples of these types of businesses are subscriptions, internet prescriptions, electronics goods such as computers, and internet gambling. These businessmen did not handle the cards by swiping it through a terminal, and hence were targeted to be frauds. With time, these accounts have created high losses to the banks. Therefore, it is necessary to understand that if a high risk business unit is underwritten under the low risk category, then the account in all probability will be ceased, and the unit and its owner's name will be under the Combined Terminated Merchant File (CTMF file), which ensures that it would be impossible to get a merchant account henceforth.

However, one can always opt for the alternatives. Businessmen can open an account with

Paypal. Though it's not a merchant account to be very specific, it serves as a third party in between the businessman and the cardholder. It just acts as a layer of extra protection.

No documents and other underwritings are required, and the money from here can be directly transferred to one's personal account as well.

About the Author

DSS Boxes is author of this article on [mail order merchant accounts](#). Find more information about [internet merchant accounts](#) here.

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