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# PAYLO PRO

**THE COMPLETE GUIDE TO  
DUAL PRICING**



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*After the 2008 financial crisis, lawmakers defined new regulation to prevent another market downturn not seen since the Great Depression. Part of that legislation included new rules on how much the payment networks can charge for using debit cards, which was seen as being equal to using cash in today's virtual world.*

## DURBIN AND THE BIRTH OF PAYLO

It all starts in 2011 with the Durbin Amendment of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. Durbin made two significant changes to the merchant services industry: First, it capped interchange fees charged to merchants for debit card payments made by consumers in the United States, dropping the average rate from \$0.55 to \$0.21 per debit transaction. Second, Durbin explicitly states that offering discounts for using a specific form of payment is legal.

***“A PAYMENT CARD NETWORK SHALL NOT...INHIBIT THE ABILITY OF ANY PERSON TO PROVIDE A DISCOUNT OR IN-KIND INCENTIVE FOR PAYMENT BY THE USE OF CASH, CHECKS, DEBIT CARDS, OR CREDIT CARDS...”***

*Excerpt from 15 U.S. Code § 1693o-2, “Durbin Amendment”*

Durbin set the landscape for what would happen next, an unintended consequence of trying to do the right thing. By federally mandating that

lower rates are required for debit card transactions, it also did not allow the same for credit card transactions. Issuing banks and payment networks made up for the lost revenue on debit card transactions by raising the fees associated with credit card transactions. For the consumer, this was a win-win; not only did it not affect a cardholder, but now issuing banks offered incredible cash-back rewards, points, and other incentives for using credit cards. For the merchants accepting these payments, however, their rates continued to climb beyond what Durbin had intended. Those incentives and rewards cardholders enjoyed needed to be funded from somewhere.

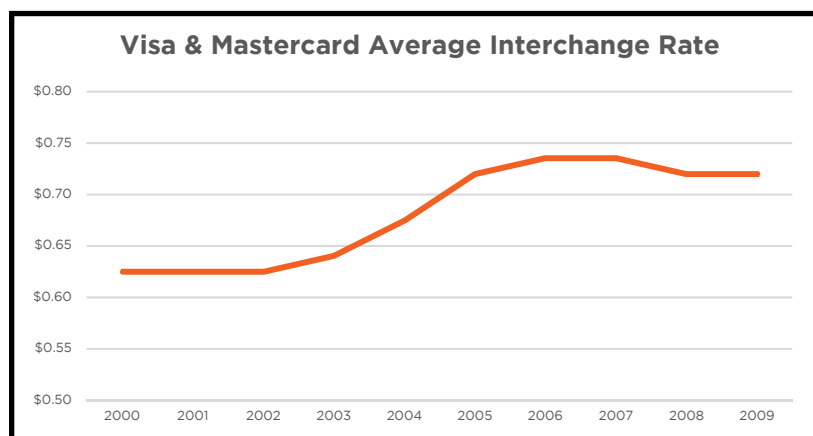
Enter the second important piece of Durbin; allowing discounts to be offered for using specific forms of payment. Durbin allowed for incentives or discounts for paying with specific

payment types, like cash. A Cash Discount allowed a merchant to incentivize a customer to not pay with a credit card and avoid the payment network fees. But with attitudes about carrying cash changing in an increasingly digital world, if the customers didn't see the value in paying with cash, they would still default to paying with a credit card. This would still burden a merchant with the cost of accepting those expensive rewards cards.

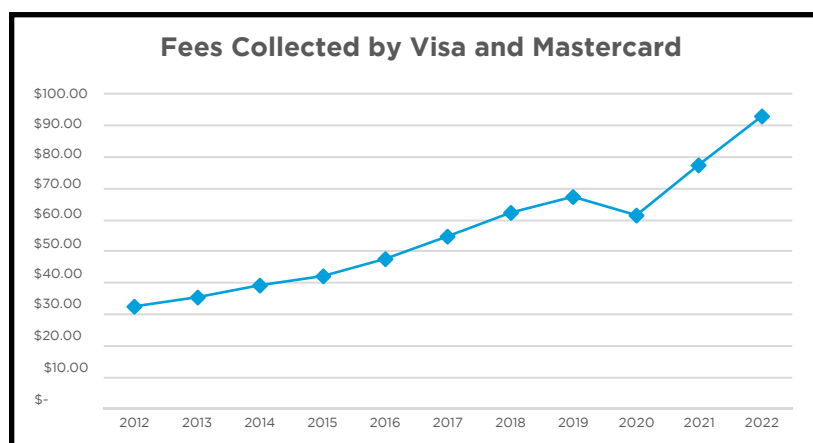
In 2016, PayLo was rolled out to a test market in Los Angeles, California to solve this problem. What PayLo would achieve would change the landscape of payment acceptance. PayLo allowed a merchant to offer a discount for cash payments, and if the customer chose to pay with a card, a fee would be assessed that was no more than the cost of payment acceptance for that merchant. This meant that the cost of accepting those credit cards, an average of 4% of gross sales, was passed to the cardholder and presented as a convenience fee for taking a more accessible form of payment. This concept had been introduced previously; movie theaters, on-line ticket sales, utility companies, and rent payment sites had been doing this for a long time, and the concept was sound. It primed the customer to accept these fees more readily because it was becoming increasingly prevalent.

Since PayLo's debut in the market, the rules surrounding Cash Discount programs and the like have changed. Increasing scrutiny in card brand rules and regulations, local and state laws, and consumer attitudes towards convenience and service fees have impacted programs and forced many to evaluate how to run a successful

program. Today, PayLo has evolved to become PayLo Dual Pricing, a new way of offering a cash discount that allows for more flexibility from the consumer and protects a merchant from compliance issues from various regulatory bodies. PayLo Dual Pricing is set to directly benefit the merchant at every step of the payment journey, so they don't need to worry about how to accept payments but instead focus on running their business.



*In 2009, the average interchange fee per After transaction was \$0.55. Durbin in 2011, the average ranges Excerpted from from \$0.22 to \$0.24. Federal Reserve Board.*



*In contrast, fees collected by Visa/Mastercard from businesses have tripled dramatically since 2012. (Reported in Billions of Dollars) From Visa/Mastercard Prepare to Raise Credit Card Fees, Wall Street Journal, August 30, 2023*

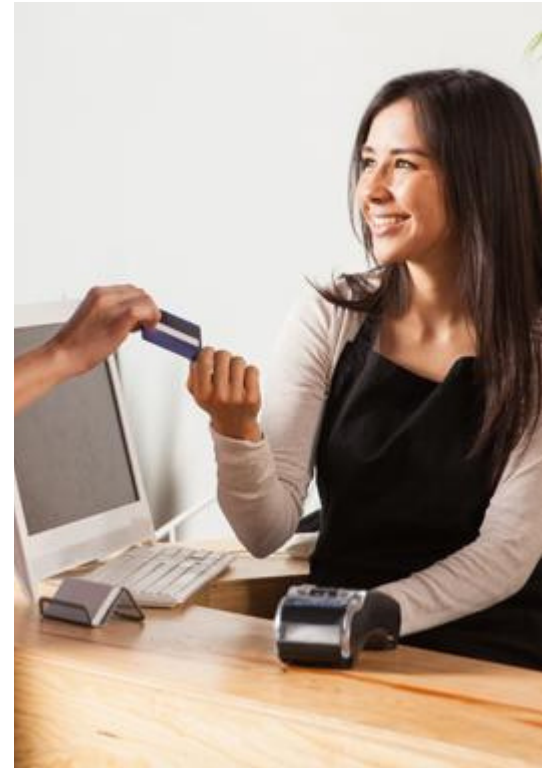


# TRADITIONAL, SURCHARGE PRICING AND CASH DISCOUNT PRICING

Merchants have been looking for ways to decrease their costs to accept payments since the first card was swiped. Some merchants set minimum transaction amounts that prevent a customer from using a card for sales under a specified dollar amount, and some merchants don't allow specific cards to be accepted. While both of those options sound great, they have restrictions set in place by the payment networks. A set Minimum Transaction Amount can only be a maximum of \$10 and cannot discriminate against card brand types or issuers. As well, MTAs can only be applied to credit card transactions.

Merchants are not without options, though. A merchant can choose to implement one of four pricing options; traditional pricing, surcharging, cash discounting, or dual pricing. With surcharging, cash discounting and service fee pricing, however, there are many more points of potential failure that could result in a merchant receiving fines, or worse: closure and a ban from accepting cards.

Merchants choosing to utilize surcharging or cash discounting must implement a series of changes in their business, and if those changes are not done correctly or employees at that business are not trained, it could spell disaster for that business.



## TRADITIONAL

Traditional processing refers to a variety of pricing plans where a merchant is responsible to pay for all related fees and dues for processing electronic payments. Three Tiered Pricing, Interchange Plus and Flat Rate pricing all either deduct funds after each batch or at the end of the month. The current average processing rate hovers around 4% of all sales. Aside from the standard fees for the card brands, other fees from acquirers or even the ISO/ Sales agent can increase a merchant's month end costs.



## **SURCHARGING**

Surcharging is the practice of adding a fee to a credit card transaction at the time of checkout. Surcharges **ONLY** apply to credit cards, and it is illegal to apply the fee to debit cards, EBT cards, and gift cards. Merchants that run a surcharge program are required to register with their acquirer and wait 30 days after registration before they can start applying the surcharge. Proper disclosure is also required at the point-of-sale and the point-of-entry.

## **CASH DISCOUNT**

Cash Discount is the practice of offering a discount to customers who pay with cash instead of using a card. Unlike Surcharging, a Cash Discount is applicable to **ALL** card types and does not require registration. The discount on a transaction is applied on the point-of-sale device, where the posted price is discounted on payments made with cash. The discount applied is often the same rate for payment acceptance made with a card, between 3-4%.

# THE DUAL PRICING DIFFERENCE

Dual Pricing, however, is a way for merchants to reduce their overhead while staying completely compliant with the payment networks. Merchants using dual pricing have two options, displaying the card price in store or displaying both the card and cash price in store to the customer. The higher of the two prices is the Card Price, and the lower of the two is the Cash Price. That transparency alleviates the burden from the customer to decide how they want to pay by having to calculate their cost at the time of checkout.

From there, the payment terminal or point-of-sale device displays to the customer their final sales total in both Card Price and Cash Price options, further simplifying the experience for the customer. There is no added fee associated with a making a card payment, the prices are just simply different from cash pricing.

If this sounds incredibly similar to cash discounting, that's because it is! Dual pricing takes advantage of a truly compliant cash discount program, backed by payment network endorsements and presenting it to the customer more clearly. Under cash discounting, only one price is shown to the customer, and the sale amount in cash is not presented as an option until after checkout. With dual pricing, customers can always see the difference in price based on their choice



## DUAL PRICING

of payment, allowing them to decide how they want to pay. They can use a credit card and earn points or cash back rewards, or benefit from an immediate discount by paying with cash.

The secret lies in the presentation to the customer. By clearly showing how their payment choice makes an impact on their wallets, it creates less friction and engages the customer more with the business. For small businesses who rely on more cash in-hand, this affords them the opportunity to thank them for shopping small.





## HOW PAYLO WORKS

PayLo Dual Pricing is easy for ISOs to implement and easy for merchants to utilize. In three easy steps, merchants can start using the dual pricing model in their stores, all while following the rules and guidelines set forth by the card brands.

Merchants and providers have a responsibility to also be aware of the local and state laws that could impact how they present the program. For example, merchants in New York state and Maine must display either both the card and cash price, or the higher of the prices only.

## EASY AS 1, 2, 3!

*For merchants implementing PayLo Dual Pricing, we break it down into three simple steps. Every new merchant receives a welcome call from our Dual Pricing Compliance Team to make sure they experienced no issues setting up their service and understand the rules of using Dual Pricing.*



### UPDATE YOUR PRICES

Update your in-store prices to reflect either the credit card payment amount or both the credit card and cash payment amounts. At the time of sale, the merchant is always presented the price in both card amounts and cash amounts.



### POST YOUR SIGNAGE

Stay compliant with all card brand rules and regulations by posting the provided signage at the point-of-entry and at the point-of-sale. All new merchants are supplied with signage for free.



### START SELLING

Your dual pricing software tracks all transactions and makes banking reconciliation fast and easy - earning you the full cash price with every transaction.



# Business Savings

The cost of processing credit cards adds up. All in, your typical business owner is facing:

- Interchange+ Margins
- Interchange Costs
- Card Assessment Fees
- AVS Cost
- Voice Authorization Cost
- Payment Handling Fees

When the burden of these fees is transferred from from one business owner and dispersed to many customers, the savings to the business is cumulative and significant.



## EXAMPLE

MONTHLY CREDIT CARD PROCESSING VOLUME	ESTIMATED SAVINGS OVER TIME		
	Month 1	Year 1	Year 5
\$15,000	\$420	\$5,040	\$25,200
\$25,000	\$700	\$8,400	\$42,000
\$50,000	\$1,400	\$16,800	\$84,000
\$100,000	\$2,800	\$33,600	\$168,000
\$150,000	\$4,200	\$50,400	\$252,000
\$200,000	\$5,600	\$67,200	\$336,000
\$500,000	\$14,000	\$168,000	\$840,000

# THE MERCHANT'S TOOLKIT

## EQUIPMENT



Valor 100



Valor RCKT



Valor 500



B250 EMV Reader



Pax A920



Dejavoo P Line



Dejavoo Q Line



PAX E800  
SMART POS



Revel POS

PayLo's success is driven by technology. Our suite of compatible terminals and point-of-sale stations use the latest technologies that allow a merchant to run a compliant program.

Our Pax terminals utilize CardFlight's powerful SwipeSimple app to run a POS-lite environment for businesses. For mobile businesses, the B250 EMV mobile reader provides payment flexibility.

Dejavoo's P and Q line of devices are our most popular devices on the market; affordable and easy to use.

Our Valor suite of devices are the most powerful devices we offer, with Valor's cloud based processing software, it's always up-to-date and offers features that are hard to beat.

## OUR TECHNOLOGY PARTNERS



# MARKETING & SIGNAGE



Every new PayLo merchant is distributed a Welcome Kit that includes everything they need to run their first and every sale. Every box includes their payment device, Dual Pricing disclosure stickers, FAQ for Register Operators and a quick start guide.

Beyond a merchant's first sale, we also offer our Merchant Marketplace, where merchants can order more signage, like a medallion sticker that is small enough to place on restaurant menus, or order dynamic menu displays to change pricing easily and quickly.

Our Dual Pricing disclosure sticker features a QR code that corresponds to the merchant's Dual Pricing rate that a customer can scan to view a video explaining dual pricing and a price list that shows the card and cash price for every dollar amount from \$0.01 to \$1,000.



*PayLo FAQ Card for Merchants*



*Brochures*



*Stickers*



*Websites*



*Videos*

# INDUSTRY BUZZ

Our merchants and partners love PayLo Dual Pricing. Not only is it easy to implement, but merchants can quickly see the benefits it offers them. Our testimonials below are from merchants of various backgrounds and our sales partners reinforce why PayLo is #1.



***"The transition to Dual Pricing was super simple. I was a little unsure about displaying two prices at first, but now I can see the benefit and it has made my life so much easier at checkout."***

*Michele Young, Owner- Bakery*

***"The shift to Dual Pricing was a shock at first but after implementing it into all of my merchant locations, merchants are loving it. It is easier to explain and employees are seeing much less push back."***

*John, Sales Partner*



***"I love the new Dual Pricing program. Displaying both prices allows me to be transparent with my pricing, while letting the customer choose how they would like to pay."***

*Celeste Willocks, CPA, Treasurer*

***"Dual Pricing is a win-win! My customers see both prices and get the power to choose, and we no longer have to hassle with adding or explaining a fee."***

*Kenneth Fellus- Restaurant*



***"Dual Pricing saved my life! I am in a highly competitive market and my merchants were constantly being cold-called to switch. With the pivot to Dual Pricing, merchants are staying with me since they feel more comfortable being compliant."***

*Steve, Sales Partner*



# CARD BRAND COMPLIANCE

Visa has the strictest rules among the major card brands that operate in the United States. Because of this, PayLo Pro closely follows and complies with all of Visa's requirements surrounding Surcharging, Cash Discounting and Dual Pricing. Visa's rules are clear: any increase in price from the posted price of an item or sale at a business is considered a surcharge. A merchant is allowed to post a notice of a discount for cash ONLY if the discount is for the posted price. For example, a posted price for a doughnut is \$2.00, and the Cash Discount price can be set below \$2.00. If the posted price is \$2.00 and when payment is made via a card the price is above \$2.00, it is considered an illegal surcharge. Surcharging is allowed in 48 states and illegal in two. In those 48 states, merchants are required to provide their acquirer 30 days notice before they can surcharge on a sale.

Visa and the major card brands consider Dual Pricing to be a variety of Cash Discounting. The posted regular or card price is allowed to be higher than the cash price. If only one price is posted at the business, it must be the regular or card price and any sales made in cash must be lower than that posted price. It is strictly prohibited by Visa's Rules to add a fee or increase the price for payments made by card on the posted price.

When it comes to assessing a convenience or service fee, like a ticketing service uses, only limited circumstances and MCCs are permitted to use them.



*Excerpts from Visa's Rules and FAQ Web page*

**..."A MERCHANT MAY OFFER A MONETARY BENEFIT IN THE FORM OF A DISCOUNT... AS AN INDUCEMENT FOR THE CARDHOLDER TO USE AS A MEANS OF PAYMENTS OTHER THAN A VISA CARD."**

*Visa Rules 1.5.4.14: Incentive to Use Other Payment Methods: US Region*

**"A MERCHANT IS PERMITTED TO OFFER DISCOUNTS FOR PAYING IN CASH, HOWEVER THE DISCOUNT MUST BE GIVEN AS A REDUCTION FROM THE STANDARD PRICE."**

*Visa Frequently Asked Consumer Questions*

**A MERCHANT MUST NOT ADD ANY AMOUNT OVER THE ADVERTISED OR NORMAL PRICE TO A TRANSACTION, UNLESS APPLICABLE LAWS OR REGULATIONS EXPRESSLY REQUIRE THAT A MERCHANT BE PERMITTED TO IMPOSE A SURCHARGE. ANY SURCHARGE AMOUNT, IF ALLOWED, MUST BE INCLUDED IN THE TRANSACTION AMOUNT AND NOT COLLECTED SEPARATELY.**

*Visa Rules 1.5.5.2 Surcharges*



# STATE LAWS & REGULATION

Only two states have explicit rules that affect Dual Pricing: New York and Maine. Additionally, in Connecticut and Massachusetts, surcharging is strictly prohibited. In Maine, their surcharge ban is left for open interpretation and a Dual Pricing program is allowable under the law and covers merchants choosing to surcharge.

In all 50 US states, Dual Pricing is a 100% legal and allowable practice subject to following specific guidelines from either the card brands or local laws.

All Dual Pricing merchants must also still comply with Card Brand Rules.

## NEW YORK

In New York it is required under Section 518 of New York State General Business Law that every item in store or on the posted menu clearly displays a defined card price and a discounted cash price. It is also permissible to advertise a discount for cash is available to customers, but the posted price must be the card price.

## CONNECTICUT

While surcharging is illegal in Connecticut, Connecticut General Statutes allows a business to offer a discount if a customer chooses to use one type of payment (e.g., cash) over another type of payment (e.g., credit card). Receiving the discount is not the same as adding a surcharge. As long as the discount policy is clearly written and presented to the customer and the final receipt shows a discount, it complies with Connecticut law.

## MAINE

In Maine, a memo titled Joint Advisory Ruling of the Bureau of Consumer Credit Protection and the Bureau of Financial Institutions #119-A

dated March 28, 2018, clarifies Maine's surcharging ban to allow for merchants to display card price and a discounted cash price. It is encouraged in this memo that if a merchant wanted to offer this, they must display both prices.

## MASSACHUSETTS

Massachusetts's General Law Title XX, Chapter 140D, Section 28A prohibits surcharging, but clarifies that in any sales transaction a discount from the regular price for paying with cash does not constitute a surcharge and is therefore available for use by merchants in that state so long as all prospective buyers are able to take advantage of it.

# About PayLo Pro

PayLo Pro is a full-service payment processing company, offering businesses a comprehensive suite of services, including credit card and debit card processing, electronic benefits transfer, Dual Pricing, E-commerce gateways, POS equipment, 24/7 customer service, supplies, technical support, and cost containment solutions. With a robust network, we provide essential financial services to our Merchants nationwide and internationally, backed by strong financial partnerships with institutions like Esquire Bank, Chesapeake Bank, CBCal Bank, and Wells Fargo. We offer a variety of top-tier equipment and POS options. At PayLo Pro, we prioritize adapting to industry PCI standards, ensuring the secure processing and transmission of credit card payment information. Our unwavering commitment to excellence empowers our Merchants to deliver exceptional service to their customers.



## WHY CHOOSE US?

Regardless of an establishment's monetary monthly volume or length of time which the business has been operating, PayLo Pro will construct a competitive rate schedule for that unique company to ensure savings.

Our companywide commitment to your success has propelled PayLo Pro to become one of the industry leaders in credit card processing. While choosing your processor, remember that with PayLo Pro you will have your deposits next day, six day per week funding, 24x7x365 customer and technical support, best in class integrations, online account access and individual account management.

# PAYLO PRO

**Contact us to start saving today.**



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Monday - Friday 8AM-6PM EST

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