



CHARGEBACK & RETRIEVAL GUIDELINES

1st National Merchant Inc. is dedicated to providing the best possible service to our merchants. Chargebacks and retrieval requests prove to be a challenging aspect of accepting credit card transactions. This information has been designed to assist our merchants in understanding the procedures involved with chargebacks and retrieval requests. We have provided answers to frequently asked questions as well as tips on preventing chargebacks .

CHARGEBACKS

What is a chargeback?

A chargeback is the return of a transaction from the cardholder's bank. This may occur if the cardholder is disputing the transaction or if the authorization process was not followed properly. Some common reasons for chargebacks are:

- The authorized owner of the account number used claims that he/she did not engage in or authorize the transaction.
- The cardholder claims that the merchandise or services for which they are being charged have not been received.
- The cardholder claims that the merchandise or services received were not as initially described or were received in defective condition.
- The cardholder claims that the transaction was cancelled and/or the merchandise was returned.
- A valid authorization number was not obtained for the transaction in question.

How am I notified of a chargeback?

The Merchant Accounting Detail (MAD) report lists chargebacks debited to your account on a daily basis. For each chargeback debited to your checking account, you will be sent a notification letter on the date of the debit. This letter will identify the reason for the chargeback and the information/documentation required to attempt to reverse the chargeback. A copy of the cardholder's dispute letter will also be included, if applicable.

¹ Please refer to your Merchant Agreement for complete information on accepting credit card transactions.

If, for some reason, you fail to receive a chargeback notification letter, the MAD report and the debit to your checking account will serve as notification that a chargeback has been processed to your account. You may contact us to request a duplicate copy of the notification letter and supporting documentation.

How long do I have to respond to a chargeback?

As we are under strict time limitations instituted by MasterCard and Visa, we must receive a response within ten (10) days from the date of the debit to your checking account. Failure to respond within this time period may forfeit your chargeback rights.

Why was I not notified of the dispute prior to the chargeback being processed?

A chargeback is generated directly from the cardholder's bank. 1st National is unaware that a dispute has been initiated by the cardholder until the chargeback is processed. The cardholder is not always required to notify the merchant of their dispute prior to contacting their bank, nor is a retrieval request required prior to the processing of a chargeback.

Should I issue credit to the cardholder upon receipt of a chargeback?

If you have received a chargeback, DO NOT issue credit to the cardholder. The cardholder has received credit from their bank upon the processing of the chargeback.

What if I have already issued credit to the cardholder prior to the chargeback date?

If a credit has been issued prior to the chargeback date for the same transaction that a chargeback has been received, please notify us in writing with the date and dollar amount of the credit. We will verify the credit and reverse the chargeback to the cardholder's bank and credit your account if your response is received within the required timeframe.

Why am I charged a chargeback fee even if I have evidence to support that the chargeback is invalid?

The chargeback fee is a processing fee; it is not a penalty fee for receiving a chargeback. By only charging a fee upon receipt of a chargeback, this enables 1st National to keep the regular customer service fees at a minimum for merchants who do not receive chargebacks on a regular basis.

RETRIEVAL REQUESTS

What is a retrieval request?

A retrieval request is a request from the cardholder's bank to supply a copy of the sales draft. If the transaction was a non -face-to-face transaction, a substitute sales draft may be provided. The following information must be included on all sales draft and substitute sales drafts:

- Cardholder Account Number
- Card Expiration Date
- Merchant Name
- Merchant Location (city and state)
- Transaction Date
- Transaction Amount
- Description of Merchandise or Services
- Authorization Code
- Cardholder Signature (if applicable)

How am I notified of retrieval requests?

You will receive a letter for each retrieval request. The letter provides the cardholder's account number, transaction date, and dollar amount to assist you in locating the requested sales draft. It is critical that merchants store sales drafts by cardholder number and transaction date, as the cardholder's name is not available to 1st National Merchant Services.

The amount may reflect a foreign currency versus the United States dollar amount for transactions made with a foreign card.

How long do I have to respond to retrieval requests?

As we are under strict time limitations instituted by MasterCard and Visa, we must receive a response within ten (10) days from the date of the notification letter. If you fail to respond to a retrieval request you may receive a chargeback for the transaction in question. There is no recourse available to the merchant for chargebacks received due to failure to respond to a retrieval request.

How long am I required to retain copies of sales drafts?

According to the Merchant Agreement, you must retain sales drafts for at least three (3) years from the date of the transaction.

Should I issue credit to the cardholder upon receipt of a retrieval request?

You may issue credit to the cardholder upon receipt of a retrieval request; however, you must still supply the requested sales draft to avoid a future chargeback. If credit has been issued upon or prior to the retrieval request, please indicate the date and dollar amount of the credit on your response. This will alert the cardholder's bank to check for a credit to the cardholder's account for the transaction in question and not process a chargeback for the disputed item.

PREVENTION TIPS

- Obtain a card imprint (either manual or electronic) and the cardholder's signature for every transaction, if possible. This is the only proof accepted by MasterCard and Visa that the authorized owner of the account number being provided engaged in the transaction. The card imprint and the cardholder signature prove that both the physical credit card and the cardholder were present during the transaction. All non -face-to-face transactions such as mail order, telephone order, and electronic commerce transactions present a high risk of chargebacks for which there is minimal recourse available to the merchant.
- Utilize Address Verification Service (AVS) for all non -face-to-face transactions. AVS will verify that the address the customer is providing is also the billing address of the account number being used. Although this is not a guarantee against chargebacks received for unauthorized usage, it will prevent much fraudulent activity. AVS is also a requirement for all non-face-to-face transactions to obtain the best possible discount rate for the transaction.
- Check all security features on the credit card as well as the cardholder's signature on the back panel against the signature on the sales draft. If the transaction involves suspicious or unusual circumstances, call the voice authorization center and request a "Code 10" authorization. Do not complete a transaction if you suspect that the card is fraudulent and/or the customer is not the authorized owner of the card.
- Document any return/cancellation policy on the sales draft or other sales documentation that is signed by the cardholder. All return/cancellation policies must be in writing on sales documentation that is signed by the cardholder to be considered valid notification by MasterCard and Visa. This includes any restocking and/or cancellation fees. Policies posted on Internet sites, distributed in shipment boxes, verbally delivered during telephone orders, and/or signs posted in retail locations are not considered valid notification and are subject to chargeback.
- Do not process a transaction for billing to the cardholder's account until the merchandise has been shipped and/or services have been received. You may obtain an authorization number only to ensure that the account number is valid and funds are available.
- Obtain signed proof of delivery for merchandise that is shipped to the customer. Should a customer dispute a transaction claiming that the merchandise was not received, only shipment tracers that are signed by the customer are considered to be valid evidence that a customer did receive the merchandise in question.
- Obtain a positive authorization response for all transactions. Do not complete transactions when a "decline" response is received or no authorization request has been completed. This may result in a chargeback for which you have no recourse.
- Process all transactions for billing within seven (7) days from the date a positive authorization response is received. After this time period the authorization number is no longer valid.