

# UNDERWRITING GUIDELINES

iPayment seeks merchant bankcard relationships that produce a fair return to the company without incurring more than an acceptable level of risk. Our activities will be directed toward the development of qualified merchants who are expected to provide long-term profitable relationships.

Product type definitions:

**Retail merchants** process “face to face” transactions with their customers. The customer presents the credit card at the time of the purchase and signs a sales draft that is generally produced electronically.

**Audiotext** merchants provide one or more “pay per call” services that customer’s access by telephone or fax. The customer initiates the transaction. This category includes Information Providers (IP) who sell adult and other information services over the telephone. This merchant type is on the iPayment, Inc. prohibited merchant list.

**Direct Marketing** and **Mail/Telephone** merchants sell products or services through a variety of direct response methods, such as catalogs, brochures, radio and television direct response ads, television “infomercials” and via the Internet.

**Telemarketing** merchants sell products either by telephoning potential customers or sending a direct mail offer that provides an incentive for prospective buyers to telephone the merchant. Telemarketing products vary from promotion to promotion. This merchant type is on the iPayment, Inc. prohibited merchant list.

**Internet and on-line services** merchants provide electronic bulletin board access, information services or computer network access. Often these services are provided or sold on the Internet. Transactions are generally completed on-line, so the customer does not sign a sales draft.

**Videotext** services involve transactions where content is delivered via the internet. These services are often adult in nature and include on-line pictures, film or live performances. This merchant type is on the iPayment, Inc. prohibited merchant list.

## 1.0 Prohibited Merchants

iPayment recognizes that certain types of merchants carry more risk than others, or require specialized expertise to monitor merchant activity and control risk. For these reasons, the following merchant types are generally excluded unless specific approval from management is obtained for a particular account. This list is not meant to be all-inclusive. Other types of products and services may be declined due to their nature. Accounts will be reviewed on a case-by-case basis:

## **Prohibited Merchant List**

### **Prohibited Merchant Types**

- Age Verification
- Airlines
- Alcohol or Tobacco Sales (Non-Face-to-Face)
- Animal Sales and Breeding
- Any Product / Service Considered Illegal
- Audiotext
- Benefit Programs
- Charities through Outbound Telemarketing
- Check Cashing and Payment Related Services
- Coin Dealers, Stamp Dealers or Those Who Sell Precious Metals and / or Precious Stones
- Collection Agencies
- Construction
- Currency / Commodity Exchange
- Credit Card Protection
- Credit Counseling, Restoration
- Credit Repair Agencies
- Dating Services
- Discount Membership Clubs
- Drug Paraphernalia
- E-Cash Merchants
- Escort Services
- Freight Forwarders
- Future Delivery Beyond Three Months
- Gaming, Lottery or Raffles
- Gift Certificates
- Golf Clubs / Accessories
- Health Insurance Providers
- Home Based Gun Dealers
- Import / Export
- Insurance
- Investment / Stock Advisors
- Multilevel or Pyramid Marketing
- Merchants Offering Incentives or Enticements
- Online Pharmacy
- Outbound Telemarketing / Direct Mail Campaigns
- Pawn Shops
- Prepaid Legal Services
- Programs on How to Apply for Low Interest Credit Cards
- Rehabilitative Diet or Smoking Patches / Programs
- Replica Handbags, Sunglasses, Watches, Etc.
- Sexually Explicit Products and Services
- Timeshare Programs (Includes Advertising for Timeshares)
- Third Party Processors (Aggregators)
- Travel / Tour Agencies
- Travel Clubs
- Videotext
- Warranty

## **2.0 Restricted Merchants List.**

Other businesses, while presenting increased risks due to the nature of their products or services, can be structured to mitigate the exposure to loss. Special conditions and rates apply to merchants providing such products or services as detailed later. This list is not meant to be all-inclusive. Other types of products and services may be classified as restricted due to their nature. Accounts will be reviewed on a case-by-case basis:

### **Restricted Merchant List**

#### **Restricted Merchant Types**

- Alcohol and Tobacco Sales (Retail Face-to-Face)
- Apartment and Property Management Companies
- Auctions of Any Type
- Bail Bond Services
- Barter Services
- Car Consulting, Sales and / or Leasing
- Employment Agencies
- Financial Services (Such as Accounting or Billing Services, Investment Consulting, etc...)
- Gun Dealers
- Long Distance and Teleservices
- Massage Services (Must be Licensed Massage Therapists)
- Prepaid Phone Cards and Cell Phones
- Seminars
- Ticket Agencies
- Water / Air Purification Systems

## **3.0 Approach to Underwriting**

The purpose of underwriting is to ensure that merchant businesses are financially sound, the business and its principals have satisfactory credit and/or bankcard processing histories, and there is nothing in the merchant's background that would preclude the business from being a customer.

It is recognized that there are varying degrees of risks associated with different types of merchants, different processing limits and different transaction amounts. Because of this, it is appropriate to apply varying levels of scrutiny to different merchants, ranging from basic due diligence for those with an established low risk profile, to a thorough and detailed review for merchants deemed to present the greatest risks.

## **4.0 General Provisions**

General provisions that are applicable to all merchants are:

- 48 hour ACH holds or longer as dictated by policy.
- No open or unresolved Bankruptcies.
- Business must be established in the United States and settle in US currency. US territories are not acceptable.
- All transactions must be in U.S. Dollars.
- No prior terminations by any bank or processor.