

# Payment Methods Explained

Understand the key differences and similarities among credit, debit, ACH and PIN-less ATM.

Customers today have more ways to conveniently pay their bills, whether it's through credit and debit cards or Automated Clearing House (ACH) deductions. In fact, electronic payments — those made by debit, credit or ACH — now exceed more than 75 percent of all noncash payments.<sup>1</sup>

Of course, there are pros and cons to deploying different payment methods. Here's a look at how they stack up.

**Debit cards** now exceed every other form of noncash payment.<sup>1</sup>

There were 19.1 billion **ACH** transactions in 2009 worth **\$37.2 trillion**, up from 14.6 billion in 2006 worth \$31 trillion.<sup>1</sup>

	Eligible for Mortgage Payments			
	ACH	Debit	PIN-less ATM	Credit
Where are the funds drawn from?	Customer's bank account	Customer's bank account	Customer's bank account	A line of credit from issuing bank
Are available funds validated in real time?	No	Yes	Yes	Yes
Relative cost of processing fees	Lowest	Medium	Medium	Highest
Are funds deducted from the customer's bank account?	Yes	Yes	Yes	No
Are rewards points earned?	No	Depends on issuing bank	No	Depends on account terms
Who processes the funds?	The Federal Reserve and Originating Depository Financial Institution (ODFI)	Card networks (Visa, MasterCard)	ATM networks (STAR, NYCE, PULSE, ACCEL)	Card networks (Visa, MasterCard, Discover, American Express)
When are the funds deducted from or charged to the customer's account?	Depends on customer's bank	Same day	Same day	Two to three days

## Definitions

**ISSUING BANK:** A bank that offers card association-branded payment cards directly to consumers.

**MERCHANT BANK/ACQUIRING BANK:** A bank or financial institution that accepts payments for products or services on behalf of a merchant.

**CARD ASSOCIATION:** A network of issuing and acquiring banks that process payment cards of a specific brand, such as Visa and MasterCard.

**INTERCHANGE FEES:** A fee, also known as a "swipe fee," that a merchant's bank pays an issuing bank. In turn, the issuing bank pays the card association.

**CHARGEBACK:** This occurs when a consumer disputes a card transaction for reasons such as dissatisfaction with services or goods. Normally when a biller receives a chargeback, the payment processor deducts the amount from the biller's account.

Interesting in adding debit card payments? Contact Missy Zakett at [missy.zakett@westernunion.com](mailto:missy.zakett@westernunion.com).



<sup>1</sup> "The 2010 Federal Reserve Payments Study," April 5, 2011, Federal Reserve System