



Underwriting Policy
Agent Guide



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Underwriting Evaluation:

Merchants will be evaluated based on:

- The merchant/principal's creditworthiness
- Evaluation of good and services being sold
- Site/website review
- Inventory or fulfillment review
- Review of all related documentation
- Merchant and principal reputation
- Applicable reserves and Personal Guarantees

Reserve and Funding Delay Determination

The reserve and funding delay can be placed on a merchant account that presents potential risks such as but not limited to:

1. Poor banking statement balances
2. Elevated Chargeback ratios
3. Elevated Refund ratios
4. Low Credit score
5. Reputation Risk
6. Credit Risk

Underwriting Criteria:

Merchant will be divided into two risk categories: Low and High Risk (Restricted)

Low-Risk Merchants are those that:

Complete the sales by providing the goods and services requested prior to or at the same time as the card transaction is authorized and processed, and:

- Unrestricted merchant industries
- Process less than or equal to \$250,000 per month
- Process below \$15,000 High-Ticket
- Average ticket is \$5,000

*** Approved volumes can differ for VIP Agents*

Elevated Risk Merchants:

Complete the sale by providing hard, soft goods or services and: have more than 30% of card not present sales, where the cardholder is not present to obtain signatures on sales receipts or invoices; or process over \$250,000 per month.

For purposes of this policy, "Elevated risk" merchants include those that:



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- Generally, make sales without the card present (for example direct marketing, telephone/mail order, and Internet merchants); or requires full payment or process pre-authorized transactions in advance of the goods or services being delivered (for example, club membership and travel-related merchants).

Elevated Risk merchants have the potential to generate a higher number of chargebacks. Elevated Risk merchants will be considered for acceptance based upon their financial strength and the quality of goods & services provided. Underwriting may also request different alternatives to mitigate the risk.

Merchant application required Information:

- Legal/DBA Name
- Physical Address and Business Telephone Number
- EIN Number
- Entity Type (e.g.; sole proprietor, partnership, non-profit, private corporation, limited liability, etc.)
- MCC, Merchant Description and product/services offered
- Principal/Beneficial owners:
 - i. Physical address
 - ii. Phone number
 - iii. DOB
 - iv. SSN
 - v. Country of citizenship
- All beneficial owners' information with at least 25% interest as well as individuals with significant responsibilities to control, management and direct to the entity.
- Acknowledgement and consent to a credit background check

Documentation requirements depending on the Merchant Risk Level (see page 10):

- Signed and completed application
- Valid Form of Government ID
- Completed UBO
- Copies of business certificates/articles
- PG
- Most recent 3 months processing
- Most recent 3 months bank statements
- Most recent two years CPA prepared financial statements (if processing over 200k Monthly)
- Voided check (if bank verification doesn't receive a full pass)
- Completed MO/TO questionnaire.
- Website/marketing materiel/Ads
- Inventory/Fulfillment agreement
- Executive summary of business (if volume over 200k Monthly)
- FICO 550+



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Underwriting Documentation Requirements for Low and Elevated Risk Merchants:

Requirements	Low Risk	High Risk/Restricted
Merchant signed Application/Agreement signed by an owner or a business partner who owns >25%	Yes	Yes
Owner(s) identification: Driver license, U.S. passport, or other U.S. government picture identification	Yes	Yes
Copy of the Articles of Incorporation	No	Yes
Merchants consecutive 3 months of processing statement	No	Yes
Merchant consecutive 3 months of bank statements	No	Yes

*****For Not for profit (501c-3), publicly traded companies we will require a letter from the board appointing the individual responsible for merchant account.**

Additional Underwriting information

Boarding requirements for Start-up merchants.

Requirements	Low Risk/ Unrestricted	High Risk/Restricted
Start-up – no processing >3 months in business	Yes	Yes, under exception based on industry. Three months of personal banking statements is required.
Start-up with processing >6 months in business	Yes	Yes

*****Underwriting might require additional financial information depending on the industry and risk level associated with the merchant’s account. In addition, for ecommerce merchants we require third-party agreements (i.e. Chargeback, Fulfillment and/or Customer Service agreements) to be submitted with the UW package. The agreement verification process can take up to 7 business days. In the event of that the Third-Party is unresponsive, the application will be considered decline.**

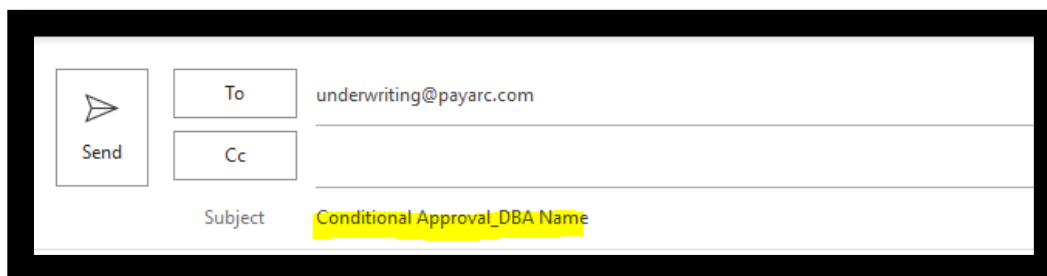
Approval and Boarding SLAs

***Applications received up to 3:00PM (E.T.)

- **Chesapeake** – Same day approval for Low-Risk Card Present if application received up to 3pm (E.T.) and 24hrs if received after.
- **Evolve** Same day approval for Low-Risk Card Present if application received up to 3pm (E.T.), 24hrs if received after.
- **Prevet** inquiries – **same day if received by 2pm, otherwise up to 24 hours.**
 - Prevet requests should be sent to prevet@payarc.com
 - Include in the prevet request: the website, business summary and desired volumes

Conditional Approval

Only **unrestricted** merchants are eligible for conditional approval. Each section of the underwriting processes has a different level of risk associated to the reviews and reports. Depending on the associated pending item category, the application may be conditionally approved. An application can be conditionally approved based on the following items to be collected for a final underwriting review. The requested item should be sent via e-mail to Underwriting@payarc.com (please use the subject line format below) or uploaded using a link provided in the Merchant Candidate e-mail. **Response up to 24hrs.**



The image shows a screenshot of an email composition interface. On the left is a 'Send' button with a paper plane icon. To its right are three input fields: 'To' with the value 'underwriting@payarc.com', 'Cc' which is empty, and 'Subject' with the value 'Conditional Approval_DBA Name'. The 'Subject' field is highlighted in yellow.

1. TIN Check – pend request for an EIN Letter
2. Bank Verification – pend request for a void check or bank letter
3. Financial information – pend request for processing and/or banking statement
4. Customer identification – pend request for Driver's license
5. Website Completion (website registration, refund policy, terms & conditions) – pend request for an updated business website
6. Business location – pend request for store front pictures or lease agreement



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Additional Documentation Requirements

In the event that Payarc underwriters are not able to verify the information provided with the application, the underwriters will request additional information from the agent. The application will move to the pending status until the requested information is received.

Requirements	Card Present	Card Not Present
No processing		3 months of banking statements
No Website	<ul style="list-style-type: none"> Marketing Material Pricing List Pictures of the Storefront 	<ul style="list-style-type: none"> Marketing Material Pricing List Pictures of the Storefront
GIACT w/out data	<ul style="list-style-type: none"> Bank Letter Void Check 	<ul style="list-style-type: none"> Bank Letter Void Check
Frozen or Lock Experian Credit Report	<ul style="list-style-type: none"> Required 	<ul style="list-style-type: none"> Required

Prohibited Merchant Categories

1. Adult Content and Related Services

Adult Content/Nudity or Sexual Content
Adult Live Entertainment/Live Nudity/Live Sexual Acts
Companion/Escort Services/Sexual Encounter Agencies/Prostitution
CNP Adult Content Video
Dating and Escort Services - CNP

2. Age and Verification Related

Age Restricted Products/Products Requiring Age Verification (Non face to face)
Alcohol (Non face to face)
Animals (Non face to face)
Firearms/Guns/Ammunition/Weapons (Non face to face)
Fireworks (Non face to face)



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Marijuana or other MRB Products/Services
Money Service Businesses such as coin dealers, casas de Cambio, etc. (Non face to face)
Mortgage Reduction Service (Non face to face)
Pharmaceuticals/Pharmacies (Non face to face)
Pawn Shops (Non face to face)
Psychic/Horoscope Readings (Non face to face)
Tobacco Sales – including e-cigarettes, vapes, cigarettes, cigars, etc. (Non face to face)

3. Financial Services and Products

Billing – Prepayment > 12 months
Collections of purchased debt – unless an FI, then debit card only
Consumer Lending – including payday or subprime, etc. (Non face to face)
Cryptocurrency – Alternative/Bitcoin/Digital/Virtual Currency in any form
Currency Exchange – including money transmission, foreign exchange, etc.
Debt Consolidation
Free Offers/Opt-Out Free Trials/Negative Option Billing
Get Rich Quick Schemes
Quasi Cash
Third-Party Senders or Third-Party Service Providers – “Nested”

4. Products and Services Restrictions

Counterfeited Products
Cyberlockers
Drug Test Cheating Products/Services
Fantasy Sports/Skill Games
Intellectual Property/Infringing Materials
Lifetime Membership/Guarantee Products
Mailing Lists/Lead Generation



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Penny Auctions
Tech Support (less than 3 years history)
Unfair Deceptive Abusive Acts or Practices (UDAAP) Products/Services
Verified MATCH or TOD Listings – Dependent upon category

5. Illegal and High Risk Activities

Illegal Activities – Such as Money Laundering, Terrorism, etc.
Illegal Businesses
Ingestible Hemp Products
Synthetics, Kratom, Kava Kava, 'Shrooms, Bath Salts, etc.
Child pornography, bestiality, rape, non-consensual mutilation
Fake Id's, Gov't Docs.
Government Owned Lotteries
High Risk Securities Merchants
Jammers
Mugshot removal
Negative Option
Stored Value Card and/or Gift Card Resellers
Timeshare exit, deed/title transfer related services

6. Other Services

Affiliate Marketing, Lead Generation (to include those within MLM)
Any product that contains Marijuana, THC
Any products, ingredients, distributors, etc. red flagged by LegitScript
Child pornography, bestiality, rape, non-consensual mutilation (by way of products, services, marketing material or CNP)
Direct and Affiliate Get Rich Quick Schemes (to include within MLM)
Direct sale of Marijuana (MMJ), medical or otherwise
Fake Id's, Gov't Docs.



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Gambling, Betting, Lottery Tickets, Casino, Gaming, Sweepstakes, Raffles, Grab Bags and Wagers
Government Lottery
Games of Skill, Games of Chance, Fantasy Sports, Daily Fantasy Sports, etc.
High Risk Securities Merchants
Inhalants
Money Service Business (MSB) and/or Money Transmitter Merchants
Multilevel Marketing - no physical product (less than 3 years processing history)
Online Auctions
Payday Lenders
Telemedicine as Primary Service

7. Direct Marketing and Telemarketing

Direct Marketing Outbound
Direct Marketing - Travel Related Arrangements Services - CNP
Direct Marketing - Outbound Telemarketing Merchant - CNP
Direct Marketing - Inbound Teleservices Merchant - CNP
Telemarketing (Outbound)
Telemedicine as Primary Service



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UW Requirements CBD

Acceptance Program:

- No Negative option
- Merchant must be PCI compliant
- Products must not contain more than 0.3% total THC
- **CBD Attestation** (***)Chesapeake requirement)

Prohibited Products:

- Shatter, Hash, Crumble, Terpsolate, Wax, Dab
- Kratom
- Delta 10/10a, THCO, TCHa, THVC, HHC**
- Delta-8* (approved on an exception basis but must align with 2018 farm bill and other guidelines
- outlined in this policy)
- CBD higher than 0.3%

Website Requirements:

- Age verification tools on the website to prevent underage purchases per state regulation.
- Must block shipping to states where CBD is not legal.
- Ingredients label must be visible to consumer.
- COAs must be present on the website.
 - COAs can be listed or linked to on each individual product page; or 2) COAs for all products can be placed on a single landing page that is easily accessible/visible from the merchant's homepage.
- Customer service number and business outlet location
- Terms & Conditions
- Privacy Policy
- Refund, Shipping (Shipping methods and timeframes), Cancellation policy
- Must be clear of any specific health and/or disease claims
- FDA Disclosure

These statements have not been evaluated by the FDA. Our products are not intended to diagnose, treat, cure or prevent any disease."

- Ensure that website is clear of celebrity endorsements and disease claims (including products, reviews, articles, testimonials, blogs, and other social media outlets).

Examples of associated claims *key words* can include but are not limited to the following:

- Cancer
- Diabetes
- Alzheimer
- Crohn
- Parkinson's
- epilepsy
- fibromyalgia
- depression
- arthritis
- Inflammation



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- heart disease
- anxiety
- chronic pain

Additional website information

Per FDA regulations, specific claims about curing, mitigating, treating, or preventing specific diseases must not be made on the website, the product name, in testimonials, or otherwise. A list of established diseases can be found on the CDC Website. So that the merchant's products are not considered drugs (and thus illegal to sell without being submitted to the FDA), they need to avoid making disease claims. We don't take the time to make a comprehensive list of the disease claims on a merchant website:

<https://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/DietarySupplements/ucm103340.htm>

<https://www.cdc.gov/diseasesconditions/>



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Changes and Special Requests Regarding a Merchant Account

Email the Risk Team Risk@payarc.com. Add the request type (listed below) in the subject line followed by the Merchant’s DBA Name (see image). Additional information might be requested by the Risk Team.

Changes including but not limited to:

1. Approval terms
2. High-ticket and Monthly Volumes
3. Ownership and TIN changes (requires a new application)
4. Reserves releases
5. Reserve Ledger
6. Transaction over the limit

The image shows a screenshot of an email composition interface. On the left, there is a 'Send' button with a paper plane icon. To the right of the button are three input fields: 'To' with the value 'risk@payarc.com', 'Cc' which is empty, and 'Subject' with the value 'Volume Increase Request _ DBA NAME'. The subject line text is highlighted in yellow.

Risk SLAs

1. Risk response timeframe can take up to 24hrs.
 - a. Closure and re-opens
 - b. Funding delay and Reserve removal
 - c. General questions
 - d. Limits (HT, MV, AT) increase
 - e. Merchant account ownership changes
 - f. Over the limit transaction
 - g. Place a hold or releases

For any other request not listed above, please send the e-mail to support@payarc.com