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Wall Street Bail Out and the Credit Card Industry

The US banking meltdown is affecting merchants and the credit card industry as a whole. The ability to solve processing puzzles for the credit card industry is what merchant service providers do best.

BUFFALO, NY, October 04, 2008 **/24-7PressRelease/** -- It almost sounds like a waste of time to spend my days writing about the Wall Street bailout. With every media outlet in the world zeroed in on our economy and the socio political ramifications that would ensue, should a bailout not occur. Let's be clear, it's a bailout, not a loan or some other disarming term. The credit card industry is already and will be profoundly affected for years to come because of this meltdown; the question to merchants and cardholders is how to keep that facet of the credit industry moving ahead without too much heartache for both parties.

As I'm stroking keys in my office, acquiring banks are contemplating risk as it pertains to their customer's available credit. This type of hard look at your available card balance and if they want to decrease it or take it away from you all together is the front line of the credit crunch that consumers will likely see in the months to come. My intent isn't to alarm anyone, because this may not come to fruition, but if our economy were to enter a credit freeze, the first fat to be trimmed will likely be available card balances. Why? Because it's the easiest way to decrease potential future loss. As banking institutions consolidate, go under and fear becoming under government control; they need to eliminate risk as much as possible. This is really an easy mathematical calculation; multiply the number of cardholders by their available balance and you'll have the sum of their exposure in an economic crisis.

If the government bails out these and other banks on toxic loans and bad debt, it's unlikely that delinquent credit card debt will be a part of the equation. As it appears today, defaulted mortgages, auto loans and business loans will get much of the attention, making the credit card divisions of these lending institutions in the step children of the bailout. As this is a scary concept to credit card holding Americans that often use their cards to float their monthly expenses; this halt to credit affects merchants and the global economy even more. Just as the inability to use a credit card on a daily basis and the need for cash is an inconvenience at best; for businesses, it can cripple them in both the short and long term. Ecommerce merchants that depend on credit cards for roughly 99% of their transactions would be nearly out of business immediately. Again, we're not saying that this will happen; however this is a very real card on the table of banks that can be played at any time.

Shortly after the ecommerce bubble had burst and businesses had found it harder to process customer credit cards at a fair rate, many found it easier and cheaper to process their daily transactions overseas. Non-domestic or offshore credit card processing isn't for illegal and illicit online businesses, like we all used to think. Today, with so many ecommerce merchants selling globally, international merchant accounts are very normal and often offer low rates, better security and services that many US domestic banks may only offer for a fee. While our economy is looking bleak, the global banking industry has proven in the past and may have to prove once again that working together can be better than domination.

About Stradafee:

Stradafee Limited is a leading international merchant service provider located in New York. Stradafee specializes in placing high volume global eCommerce companies. Internet merchant accounts makes it possible for online stores to accept credit cards as a form of payment for goods sold. For information on credit card processing for card present and card-not-present transactions please visit our corporate website at www.stradafee.com.

About the author:

Sager G. Loganathan is a freelance Search Engine Optimization writer specializing in the banking and finance industry. Sager Loganathan, a United States Marine Corp Veteran, has a Bachelor of Arts degree in Communications from the State University of New York at Buffalo.