

How to Lower Your Credit Card Processing Costs

by Leo Townsend

The reason why merchants are overcharged on their credit card processing is lack of knowledge. Salesmen throw numbers at you but never explain the math. This is why the industry average mark up is \$75 per \$10,000.

Everyone in credit card processing has the same cost. It's called Interchange, Dues & Assessments. It's roughly ten pages of single line type. Each type of credit card has been assigned a different percentage and a per transaction fee. Every time a credit card is used, the bank that issued the card gets back this percentage and transaction fee. Visa™/MasterCard™'s share of this equation is roughly \$11 per \$10,000 and 2 cents per transaction.

The problem is that salesmen will quote you only one rate and you go chasing the lowest number. For instance, the company referred to you by your dental association quotes you 1.49% and 20¢ while neglecting to mention that you will be charged much higher rates for your reward cards. We have found that rewards cards are over 60% of all credit cards and the rate you care about the most. This is the shell game that many salesmen play on unsuspecting merchants. This is why you only want interchange plus pricing with a detailed statement.

Over the years I've talked with numerous dental associations and most are trapped in contracts where they know their members are being overcharged but they cannot afford to lose the revenue generated by these referral accounts. I've never seen merchants getting a good deal from any company referred by an association.

Maybe you're already on an interchange plus program. Are all of your interchange rates truthfully disclosed on your statement? If not, your processor might be inflating these rates and you'd have no idea. Use the internet to verify the rate you should be charged and do the math to see if it adds up.

I've been writing articles for major dental publications since 2001. I've had office managers tell me that the doctor isn't interested in saving \$2500 a month. The most common reason for this response is that the proprietary dental software they're using is very convenient for their staff. The truth is that by taking a few extra seconds to swipe the customer's card on a terminal and manually entering the transaction in to the software, just like you're already doing for check or cash payments, is the only convenience the software provides.

This saves less than 10 seconds per transaction, nobody is that busy that you can afford to allow them to throw away that much money. Another reason is that the office manager doesn't want to reveal to the doctor that they roped the practice in to a bad deal.

International Payment Solutions has found that over 90% of processors now charge some form of termination fee. Do not do business with any company that charges termination fees. This gives them the license to raise your rates and there is nothing you can do about it. You can read more about termination fees and the steps to take to determine your current status, by visiting our web site at www.inter-pay.com and reviewing the Articles tab. International Payment Solutions was able to show a dentist a savings of over \$650 per month but their processor was going to charge them \$10,000 to cancel the account. I showed them how to avoid the \$10,000 fee by keeping their account open but dormant and making the switch to IPS in order to take advantage of the savings being offered. The doctor wound up paying his processor \$35 a month until the end of his contract for a savings of over \$600 a month.

The new trend is non-disclosed statements. These are statements where little or no rates are shown...just fees, forcing you to do the math that they know most merchants don't do. This is especially true of the companies that advertise their special healthcare programs and one rate structures. Why would you pay someone a flat rate of over 2% when the debit interchange rate is as low as .05%. Some of the monthly fees (PCI Compliance and IRS/Regulatory fees) on your statement are nothing more than profit centers to enhance profitability.

Give me 15 minutes of your time, along with a copy of your current processing statement and I can show you how the math works. Don't delegate this to someone who may not want to let you know how bad a deal they negotiated for your business. Work with me to determine your termination status as soon as possible so I can show you how to get out of your contract with little to no fees. Maybe with this effort I can earn your business.

Please contact me, Leo Townsend, president of International Payment Solutions at 866-522-1169. You can fax a current statement to 815-273-2133 for a free, no obligation analysis of your cost.