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## Do You Really Know What You Are Paying To Take Credit Cards?

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How to use your numbers to determine your actual effective rate!

For the last 20 years, whenever I talk to a potential new client, I'm always asked, "What's your rate?" This lets me know that like most merchants, this person needs to be educated about how credit card processing works. A 1.59% rate means nothing when it's costing you \$400 to take \$10,000 in credit card payments. This is actually a 4% effective rate. This is why most merchants are overcharged. Salesmen get you focused on rates, and you go chasing the lowest numbers.

Grab your latest statement and figure out your effective rate. You do this by taking the total fees you were charged and divide that by the total dollar amount you took for the month. It should be closer to 2% than 3%. If it's closer to 1%, your fees are probably being taken daily, not monthly.

Based on the interchange plus program, your clients dictate your cost. If you're on a tiered structure, with a "1.59% rate", your processor determines how much profit they make off of your account.

For example, with the interchange plus program, if you're in a blue collar, working class area where most of your patients give you their check cards, you should have a low effective

rate...generally under 1.70%. If you're in a higher income community, taking nothing but rewards & business cards, you should see an effective rate around 2.0 -2.40%. Dentists in middle class areas are usually between 1.70 – 2%. It's been my experience over the past 20 years that most dentists are actually paying between 3 - 5% or more while thinking they have a 1.59% rate. I've seen dentists with effective rates higher than 7% that were going through their buddy at the local bank. Those with flat fee programs usually don't have an effective rate that matches their flat fee. We recently saw a dentist that supposedly had a 1.99% flat rate but their effective rate was 2.23%.

The

short and simple truth of credit card processing is there are 16 pages of single line type listing different credit cards and the rates associated with those cards that range from .05%-3%. This means you're not getting charged 1.59% for all of the cards you take. And very few merchants take only the highest rate cards at 3%. This means that for a dentist, your effective rate should be closer to 2% and never be higher than 3%.

The new normal is

non-disclosed statements where they only show fees, but no card types or a way to determine how those fees were calculated. We've also seen where they show the interchange card types, but the fees charged are marked up from actual cost. They know most merchants won't take the time to look up the actual costs for the card types and figure it out. Interchange tables are available for all to see on the internet. For example, if you look up the interchange for a swiped Visa™ Rewards 1 card you'll see that it is 1.65% and 10 cents. Check your statement and see if they list card types. If so, verify the numbers online. If they don't match, they are hiding a markup and charging you more than they should. This explains why your effective rate is 4%. I always laugh when merchants tell me they will take my numbers back to their processing bank, especially one that is not disclosing their rates. My question is always, how can you prove they're matching our numbers? We recently checked back with someone who had their bank "match our rates." We were saving them \$300 a month. They didn't match our numbers and the merchant was still paying \$250 more than we'd have charged.

*To receive a no cost or obligation comparison of your current processing against International Payment Solutions, LLC's program, simply fax a current processing statement to [844-483-1996 \(tel:8444831996\)](tel:844-483-1996) or call Leo direct at [888-512-1283 \(tel:8885121283\)](tel:888-512-1283)*

*for more information. If you've had your staff contact Leo in the past and were told he couldn't save you money, they dropped the ball. Take back the process and give him a call today. Start putting more money back in to your practice and not into the banks hands.*



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