

Credit Card Processing Costs: A Self Assessment

by Leo Townsend

Here are 12 things to look for on your credit card processing statement. *(Hint, they're all red flags to being overcharged!)*

1. **If you're on the Medical/Healthcare, or any program that says medical or dental in it.** It's a marketing scheme and not an interchange program. Most merchants I see on this program have effective rates of over 3.5%.
2. **Are you on a flat rate program?** The reason flat rate programs exist is that the processor makes more money than if they gave you a competitive interchange plus program. Also, because they don't disclose what cards you are actually taking, this keeps a competitor from being able to prove anything. For example, if your interchange plus pricing effective rate is 1.5%, why would you want to pay someone a flat 2%? Conversely, if you have a wealthy clientele giving you nothing but rewards and business cards, the interchange on these card types is around 2.5%. Do you think they're going to take a loss with their 2% flat rate?
3. **Does your statement show that you took Visa™/MasterCard™ and they charged you fees with no breakout of card types?** Does your statement show a dollar amount that you took and just the fees charged, once again with no disclosure of cards being taken? These are called non-disclosed statements and it's a way to hide your true costs and prevent anyone from doing a true comparison.
4. **Are you processing through your dental software?** It's been my observation that most merchants processing through dental software have an effective rate of between 3 and 5% because you must use their preferred provider. They became the preferred provider because the software company will make more money due to their higher processing costs.
5. **Is your statement only available online?** I've found that 85% of merchants never look at their statement, the number jumps to over 90% by receiving statements online. Merchants must be notified of any rate increase at least 30 days in advance, in writing. This is usually done on your statement so if you're not looking at it they can raise your rates and you have no idea!
6. **Does your statement show charges for PCI Compliance or Non-Compliance, Regulatory Fees or other miscellaneous fees that you don't understand?** Most of these fees are profit centers for the processor.
7. **Are you processing through a friend or your buddies at the local bank?** I've ruined more friendships and bank relationships due to the merchant being overcharged by their buddy. Trust but verify!
8. **Is your effective rate over 2.7%?** To calculate your effective rate you need to take your total fees charged and divide it by the total volume. For example, if you were charged \$270 in fees and processed \$10,000 this would be a 2.7% effective rate. This number is important as it is what you're actually paying, not what you think you're paying. By way of reference, 2.7% is what a business to business merchant should be paying, not a dentist.
9. **Were you given a credit card terminal by your processor?** Are you using the same terminal to take credit cards that you use for patient financing? Free terminals are always very costly because you usually get charged higher rates to make up for the cost of the

