

Chasing After the Lowest Rate?

Credit Card Processing Costs

by Leo Townsend

I know nothing about being a dentist. I'm an expert on credit card processing. I would never presume to know more about dentistry than a dentist, yet I constantly have merchants tell me how credit card processing works. This is usually because of self-serving misinformation given to them by every processing salesman they've ever talked to. We live in the age of information thanks to this wonderful thing called the Internet with search engines that allow people to learn about a myriad of subjects. Why is credit card processing any different?

The biggest mistake you can make is asking, "What are your rates?" Credit card processing is all based on interchange, dues and assessments. Google™ it! All the different "rates" fit on 10 pages of single line type. "Chasing after the lowest rate" is why most merchants are overcharged on their credit card processing.

I've had merchants tell me their rate is 1.59%. However, when I show them how to do their effective rate, it is actually 3.5%. What happened to the 1.59%?

Look in your wallet. You probably have more than one type of card and they each have a different rate attached when you use it at another business. This rate is set for all the different credit cards. The bank that gave you the credit card gets back this set percentage and per transaction fee every time you use the card. Visa™, MasterCard™, and Discover™ then take their cut which is the dues and assessments. This is roughly \$11 per \$10,000 in processing and 2 cents per transaction. So to be concerned with chasing after the lowest quoted rate is inviting trouble.

By focusing on chasing after the lowest rate, this merchant with a 1.59% rate but who has an effective rate of 3.5% may be approached by one of the companies offering singular rates or the "Medical Industry Program" rates and think these programs look good. There is no such thing as a Visa™/MasterCard™ Medical Industry Program. This is just a marketing name used to make you think your previous processor had you on the wrong program. The companies offering a single rate structure will lower the merchant's effective rate from 3.5% to 2.75% and they'll think they're

getting a great deal. I've got a huge dental office in Manhattan, NY on our interchange plus program with an effective rate which is usually around 1.3%. This is why interchange pricing is always lower than any gimmick or tiered pricing.

Maybe you're already on an interchange plus program. Are all of your interchange rates 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. Also, what kind of additional fees are you paying that really are nothing more than profit centers for your processor?

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 \$2,500 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. 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.

Doctors, take charge of one of the biggest expenses to your business. 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. I'll make sure you know the truth and how to put potentially thousands per month back in to your pocket. 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.

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