

## Getting Ready to Accept Credit Cards? Be Careful!

Over the last decade, I've had the pleasure of assisting a wide variety of business professionals with their credit card processing needs. I've also had the unfortunate experience of having to witness the pitfalls that many merchants have unwittingly fallen into when setting up and maintaining their accounts. I've seen it all...merchants that were misled, misunderstood, and misinformed!

For your business and for your bottom-line, it's important to make an educated decision when it comes to credit card processing. For your protection, I've put together a list of warning signals in which to be aware. Take a moment to review the below to save money, headache, and hassle!

1) **Selling Equipment You Really Don't Need.** Most of the bankcard representatives still make their money with a hefty mark up on equipment. Some are all too anxious to oversell new equipment despite the fact that your existing (or less expensive equipment) would work fine. Beware if the sales rep says that the equipment you have or want, "won't work with his processing," or if he tries to sell you on equipment that is, "compatible with the new smart chip."

2) **Binding You to a Three-Year & \$300 Cancellation Fee Contract.** Although most processing agreements will have an early termination fee in the fine print, many reps will fail to mention it. Excessive lengths and amounts for termination fees are designed to keep you stuck with them, regardless of their rates or quality of service. Protect yourself and find a contract with a shorter contract time and a painless termination fee.

3) **Unusually Low Quoted Discount Rate.** Ever heard the phrase, "Too good to be true?" Quoted or advertised rates in this industry are often quite misleading. If you read the fine print, or \*gasp\* set up with them and then look at your statement, you'll see you are actually paying much, much more than you expected. The reality is that Visa/Mastercard has set interchange rates that are set industry wide and are the exact same for all resellers. Watch out for the bait and switch with low advertised rates, because they will surely be making money from you somewhere!

4) **Undisclosed Fees.** Reps often make the sale without explaining all the details of a transaction. They hope merchants don't see them in the fine print of the contract. Worse yet, many times the merchant doesn't even see the full contract he's signing. Most common here are fees for dues and assessments that will increase the real rate you pay, or the surprise "mid-qualifying" and "non-qualifying" penalties that all processors will charge.

5) **Low Authorization Fees.** These fees can be quoted different ways, to make it appear as though your transaction fee will be lower than it is. Some will quote it as an authorization fee, but then there will be an interchange fee per occurrence as well. The

important thing to find out is what your *total* cost will be per card swipe, aside from your discount rate.

**6) Inexperienced Bankcard Representative.** Less than 1% of the individuals in this revolving door industry stay for more than six months. And, there is no standardized training or certification in the industry. Anybody can be a rep with less than an hour of training and education. Protect yourself by learning how long the representative has been in the industry and check references. The representative should be able to offer you the names and numbers of several long-term clients. In addition, the representative should be able to offer you character references from business groups in the community that have had positive associates with the representative (EX: Local Chamber of Commerce).

**7) Accepting Credit Cards Through Your Bank.** This sounds like it would be safe enough, but what you don't know is that, with very few exceptions, the local bank has nothing to do with the bankcard processing. While the bank may refer you to their bankcard representative, the bank does not actually do the processing. They either outsource it completely or set up a referral arrangement to an outside processing company. *You end up paying more this way because the bank gets a cut of the processing.* Be very wary, because inexperienced and/or unscrupulous representatives that thrive here operate under the guise of the trust that your bank has earned from you.

**8) Surprised With Confusing Statements and Billing.** There is not a standard statement in the industry. It seems as though most of them are created to confuse so that the merchant doesn't know what rates he's really paying. On top of this, many bankcard processors charge the discount rate as the transactions are processed daily as well as a lump sum at the end of the month for the rest of the fees. Insist on month end billing and request a sample statement up front.

**9) Getting Stuck in a Lease.** Although leasing equipment can serve a purpose and has been a helpful tool for merchants in the past, there are now other viable options available, ranging from low cost equipment to free placement programs. If you choose the leasing option, be familiar with the terms of the lease. This is a completely separate company and contract from the processing agreement. You are personally committed to the terms and length of the lease. At the end of the term, it is your responsibility to take advantage of the buyout option available, or the leasing company will gladly continue to bill you monthly with no notice.

**10) Risk Department Freezing Your Account.** Every bankcard processor has a risk department and they are an important part of minimizing your exposure to fraudulent credit card activity as well as protecting themselves from losses. Too many times, bankcard sales representatives will rush the sale and look for an easy approval for an account upfront. They let the merchant find out later that issues can arise with the risk department, based upon certain types of transactions. This can be a surprising nightmare when you find out the processor hasn't released your funds to your account. It's very important to have a risk department that works with you, not against you. And, it's even more important to have a well trained representative that can set the account up right the

first time and avoid this extremely frustrating situation altogether.

Cash flow and payment processing is the beating heart of your business! You wouldn't make a hasty decision when choosing a heart surgeon if your life was on the line. Don't let your business suffer or possibly die because you didn't take the time to learn the details and build a relationship with a reliable, trustworthy, and established professional agent.

**Call me today for a free consultation—(309) 820-0076.**



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