Credit Where It's Due
1. A rebate on check/debit cards.
The card associations charge processors less for processing check and debit cards. That’s because the card-issuing banks receive their money immediately as opposed to waiting for payment when cards are used for credit. Many card processors, however, do not pass these savings on to their customers. If you aren’t getting the full discount, someone else is pocketing it.

2. Small ticket discount.
We’ve all seen them – you may even have them! They are the signs that are posted in your restaurant or pizzeria that say “Minimum Credit Card Purchase-$10.00" or some other amount. Based on the "rate" you may have been quoted by your processor, running small-dollar transactions for a couple of slices and a drink will just about eat up your profit margin on that purchase. The card associations charge processors lower fees for transactions under $15.00. If you are paying a middleman’s "rates," then the processor (and/or broker or intermediary) is likely being charged your discounted fee, charging you full price and keeping the difference as profit.

3. Discount on keyed-in transactions.
Most businesses are told by their brokers that keyed-in transactions - on pizza deliveries, for example - have a much higher rate than swiped transactions. This is only partially true.

Indeed, processors are charged more for keyed-in transactions. However, Visa offers a little-known program called AVS (Address Verification Service) which lessens that cost. In an effort to reduce fraud, when additional information is provided at the time of the sale (the card – holder’s house number and zip code), your processor receives a substantial discount. That savings should be passed through to you.

If you aren’t receiving the discount, you are not only overpaying VISA, but your broker is likely making additional profit by surcharging these “downgraded” transactions.

FOUR WAYS YOUR PROCESSOR OR BROKER IS OVERCHARGING YOU

1. You were quoted your "processor’s rates" rather than that of the card associations.
Every April and October, VISA and MasterCard adjust the rates they charge credit card processors. Most of the time, they raise just a few of their almost 200 different categories, and sometimes they make adjustments downward. Despite the fact that VISA and MasterCard raise just a few of these categories, card processors and their middlemen often use this as an opportunity to raise all of their rates, further padding their profits at your expense. If costs have risen this spring, it’s most likely due to cost increases created by your processor or broker, NOT VISA and MasterCard.

2. The rate you were quoted is not the rate you are paying.
You likely don’t always have the time to check the bottom-line payment on your statements to ensure you are receiving the rate you were promised. This exercise takes just a few moments. Divide the cost of your processing by the volume processed. For instance, if customers charged $32,000 in your restaurant in a given month, and you paid $774.40 to your card processor – dividing 774.50 by $32,000 will result in .0242 or 2.42%. This is the actual percentage rate you paid to your processor. See if the rate you were quoted matches this rate. It probably will not. Why? Because you signed on based on a "qualified" rate. "Qualified" is a term fabricated by processors to lure you into thinking you are paying one rate when, in fact, you are paying nothing of the sort.

3. You are seeing only three or four "tiers" on your statement.
Tiers are the different rates card processors charge retailers for the privilege of accepting card payments. The card associations 200 different rates are based on the type of merchant (pizzeria, book store, gas station, etc.), the type of card (platinum, affinity rewards, etc.), and the type of transaction (PIN-based, over the phone, etc.). If your statement shows only three, four or six different tiers (often labeled qualified, or VD,V,VB,MC,MT, & MBS – all arbitrary fabrications by card processing companies) you are doing the card equivalent of making a 30-second cell phone call and paying a full minute. Your rates are getting rounded up, assuming you are getting all the rates and discounts you are entitled to receive. Many processors simplify the 200 original rates—and make it more profitable for themselves – by rounding up to the highest of their completely arbitrary tiers.

4. Your statement is hiding fees your card processor has already taken out.
For example, your statement may state, “Total amount of charges to your account: $1000." Look for a small line item that mentions a "less discount paid" – or other similar term - - which is money the processor has deducted every day from your account. By removing a fixed-daily amount, card processors can lessen the number they trumpet as total charges and hide the fees they charge. This amount is not part of that $1000 mentioned in big letters. You are paying more than what is stated in big letters.

Sound complicated? It is. The best defense is knowledge. Educate yourself about card processing so you can make good business decisions that are good for your bottom line. Visiting www.merchantbillofrights.com, an educational website for merchants, will give you a good start.