



## Learn 4 Steps to Choosing a Credit Card Processor

### Description

Payment processing is a massive industry constantly expanding as new technology, and payment channels emerge. Customers are no longer limited to paying only in cash or on credit.



Customers are defining their purchasing preferences by the things your store sells and the types of payments you take. As a result, choosing the correct credit card processor can significantly impact the number of sales you generate and the number of long-term customers you gain.

## Understanding the World of Credit Card Processing

Credit and debit card networks do not deal directly with businesses of any size; instead, they use merchant account providers to outsource credit card processing. Transactions are then handled by merchant account providers (also known as aggregators) in collaboration with payment processors.

The actual credit card process might be perplexing, particularly for new business owners accepting online payments.

Here are some key terms to know:

**Merchant account providers:** A merchant account provider provides your business with POS equipment and secure online payment services.

They take the payment information from the order and send it to the payment processor.

The payment processor acts as a middleman between the merchant account provider and the credit card association or issuing banks. They send the payment information for the order for permission and settlement. **Payment gateway:** A payment gateway is an e-commerce application service provider that enables secure interaction between the merchant account provider and payment processor. The merchant account provider can submit the order payment information to the payment processor via the payment gateway. The payment processor can subsequently send the information to the issuing bank for denial or approval.

This method enables a single merchant account provider to process all credit cards, debit cards, gift cards, and EBT (electronic benefit transfers).

Payments are sent to the merchant account provider via the payment gateway and into your business accounts once the payment processor obtains confirmation from the issuing bank.

## The 4 Things to Think About When Choosing a Credit Card Processor

Unlike shopping for the most incredible price on a beloved product, evaluating the services, fees, and extras provided by credit card processors can be challenging. To gather the appropriate facts to make the best decision, you sometimes have to cut through the contract red tape and put the sales representative on the spot. Before choosing a credit card processor, consider and ask the following four questions:

### 1. How much money would you lose if you had to pay fees?

Fees are what can cause the most problems for your company. The following are examples of regular fees:

**Application fees:** They will charge you a fee to process your application.

**Costs for setup:** Some processors demand fees for setting up their equipment.

**Monthly statement fees:** The processor may charge a standard cost to mail you the statement.

**Monthly gateway access fees:** The data exchange between the issuing bank and the payment processor may be charged to you.

**Interchange fees:** An interchange fee is charged for each transaction procedure for your business order payments.

**Monthly minimum fee:** Even during the quiet season, the credit card processor will take a minimum fee from your company.

## 2. How compatible is the proprietary software of the processor?

While many processors will function with universal software, you must still check that your e-commerce shopping cart is compatible. You should also seek a processor that accepts digital wallet payments

## 3. Is the processor's pricing interchange-plus?

Interchange-plus pricing provides transparency into the interchange fees charged by credit card issuers. It also specifies how much you pay the payment processor in fees. This pricing method lets you keep track of your spending and avoid overcharging.

## 4. Are there any penalties for contract termination too soon?

Contract termination fees might vary considerably. They may charge between a couple hundred and a couple of thousand dollars. Look for contracts that have a cancellation fee of less than \$400.

# Avoiding Red Flags in Credit Card Processors

A liquidated damages termination fee is an early contract cancellation process in which your company may be charged the full expected price of the contract. If you cancel during the first few weeks or months, you may be penalized for a breach of contract and the loss of fees that the merchant account processor would have received.

Nonqualified rates are another red flag to be aware of. Nonqualified rates are costs charged for specific transactions, such as a consumer's credit card payments over the phone. These fees can range from 5% to 8% and can be applied to various transactions. Request a sample monthly statement from the credit card processor so you can see what itemized costs there are for transactions and ask the necessary questions to understand their services better.

### Category

1. Finance

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