

# **Bloody Stories**

## **About Bob from Brand X**



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## **Only Charging 1%**

Bob is back at it again. Recently, Bob showed up at one of our clients' with a story that he was only going to charge the merchant 1%, and by the way, they needed all new equipment. The client called our office to ask for our review. It turns out Brand X was charging 1% *on top of* all the other qualified, mid-qualified, and non-qualified fees, but Bob neglected to explain that in his presentation. Another point he forgot to explain: there was a \$995 early termination fee! Lord, have mercy! Does Bob have to trick people into signing up and then charge them for wanting to leave his bad service?

## **Huge Savings**

Bob, Bob, Bob... what do you have going this time? Bob thought he was doing a comparison for a merchant. He wrote across the paper, "Savings: \$800." The merchant asked us to take a look. "Where was the detailed comparison? Where was the savings of \$800?" they asked. "Beats me. Why don't I just write \$1,000 savings on a piece of paper," I replied. Bob, that is *not* a comparison. And you better learn how to list all the fees if you do learn how to do a proper comparison, not just some of them. How inconvenient for Bob to have to learn to understand the business he is in.

## **The Rates on the App Were Different**

We have a client who calls us once a year to review their types of transactions and see if they are running them properly to their best benefit. Turns out this year, Bob from Brand X had submitted his bid for their business. He had a proper letter outlining his proposed fees (turns out it was not a complete list). He had pre-filled out an application with his rates. (Turns out Bob does not even know how to properly fill out an application. Turns out Bob put different figures on the application; higher ones.) Poor Bob. Will he ever get it right?

## **The Horrible Swindle Story**

One of our favorite salespeople called on a husband/wife merchant for credit card processing. They gave him a monthly statement to review, but were acting quite nervous. Our salesperson brought them back a comparison, explained all the fees, and showed them where we could save

them money. They understood and acknowledged they wanted to save money, but they were absolutely scared to death to switch.

It turns out that they were so nervous because their previous salesperson, Bob from Brand X, had sold them some equipment on a lease for \$39.95, but he secretly changed it to \$89.95 after they had signed. They argued until they were blue in the face with the leasing company, but got nowhere because they hadn't saved a copy of the document they signed with Bob. We did end up lowering their rates and reprogramming their leased equipment. And of course, we left them a copy of everything they signed before leaving their store. But what a horrible thing to do to somebody, Bob!

### **Too Smart for His Own Britches**

An acquaintance of mine started quizzing me one day on credit card machines and rates. A couple of weeks later, he was trying to sell me some equipment he had bought on EBay! Unbelievable! I, of course, said NO. Another couple of weeks later, he was asking me how to remove proprietary chips from the machines! He got burned buying equipment that couldn't be reprogrammed. I don't feel sorry for him.

### **Transaction Limit**

One of our new clients told us this story about his experience with Bob from Brand X. He is a landscaper and needs to run one or two transactions per month, albeit they are large transactions. He was sold a wireless machine for a whopping \$69 per month on a four-year lease. Then he had statement fees and minimum charges every month on top of his credit card fees. But here is the real kicker. The processor would only approve transactions under \$300 and most of his transactions were way over that. So he was paying about \$140 per month for nothing. Bob, why do you scam someone into signing up when you know all along your merchant cannot benefit from your service?

### **Neglected to Tell You about Interchange Rates**

Bob has been busy in Small Town, USA. He is running around telling merchants that his company only charges 75 basis points. What he should be saying is that he charges interchange costs *plus* 75 basis points, which is kind of a high rate. Hope none of you are getting fooled by

his new tricks. 0.75% sure sounds low, and that is because Bob is not telling you that it is added to the interchange and assessments.

## **Selling a New Equipment Lease**

Fred has a car mechanic shop. When I stopped by to talk to him about his card processing, he brought out his bank statement and showed me that some charges were on his statement relating to his credit card processing. Poor Fred had switched processors a while back and got new equipment, but had never cancelled or paid off his old lease.

Now he was looking for an upgrade in equipment again, but he was still paying on not one lease, but two old leases! Bob from Brand X had sold him a new lease without explaining how to pay off the previous one. Fred had been paying on the first lease for about eight years and the second lease for over four years. I was able to contact both leasing companies and get his payoff amount. He paid a bunch of dollars to move on.

## **Your Machine is Out of Date**

This is a typical opener for Bob. But is your machine *really* out of date or does Bob just want to sell you a new machine or sign you up for an expensive new lease? Give us a call and double check Bob's story before you get suckered into a lease on a new machine when your current machine is working just fine for you and could last another year or two, maybe even longer.

## **I Forgot to Read What was in Front of Me**

Bob from Brand X had written NO ETF (Early Termination Fee) near the signature line on an application for a local car detail shop. But right above the signature line in the contract was the verbiage, "NO ALTERATIONS OR STRIKE-OUTS TO THE PROGRAM WILL BE ACCEPTED AND, IF MADE, ANY SUCH ALTERATIONS OR STRIKE-OUTS SHALL NOT APPLY." And higher up on the page was a paragraph, "The Agreement contains a provision that in the event you terminate the Agreement early, you will be responsible for the payment of early termination fees as set forth in Section 35." And of course, Section 35 was not available for reading.

## **Rate Guarantee**

Bob's new quote sheet has a guarantee. Let's take a look.

“We will not increase the qualified discount rate for 48 months.”

A response to Bob – What a crock!.

How many cards are charged a qualified discount rate? Answer: not very many. Most cards today are debit cards and rewards cards, and then there are corporate cards, keyed-in cards... the list keeps going. Most processors have six tiers of rates. So if one rate tier is guaranteed to stay the same but the other five are not, the guarantee is worth “Nuttin, Honey”.

## **Is it Worth it to Switch?**

Bob's favorite pitch still seems to be, “Let me do a comparison and I guarantee I'll save you money.” Ask yourself if you want to save money if it is going to cost you more in other areas.

Do you want to go through the hassle of doing a comparison, which will be in hieroglyphics instead of English, to possibly only save a couple bucks? Do you want to give up the local service and support you now have? Do you want to change over to a company who uses technicians from China or India? Do you want to get locked into a long contract with a company and people you do not know or trust? Do you want to send your money to a company out of state? Do you want to get stuck in a contract with a HUGE termination fee if you later decide to leave their lousy service? Do you want to pad Bob's pocket with a commission when you will probably never see or hear from him again? Do you want to call 1-800-IGNORE-ME for service questions?

Isn't your time more valuable than to bother with a scammer like Bob?

## **Flat Rate**

Bob's new trick is an old one. His new rate is 1.69% and he says he won't have any higher rates for keyed-in cards, rewards cards, or corporate cards (?). I think that Bob is either an outright liar or he is new to credit card processing and doesn't have a clue what he's talking about. 1.69% is below cost on rewards and corporate cards and there is obviously an extra fee for those types of cards somewhere. Too bad the company he represents has such a high termination fee and some merchants will get sucked into an expensive learning experience.

I am proud that my industry has created PCI compliance but when is the industry going to police the processors whose salespeople give out fraudulent information to potential merchant customers? When will the industry require honest disclosure of fees? When will the industry protect the merchant from Bob?

## **What a Whopper!**

Bob's got a new twist on his game. He tells merchants that his rate is 1% and 0 cost for debit transactions. **What a Whopper!** (He also doesn't tell them that the rates will go up after the first month.) In order to make a killer upfront commission, he signs the merchant up for a **non-cancellable** equipment lease of \$180 per month for four years! Unbelievable! (This supposedly covers his losses on the rates.) He loses money on the rate for the first month **BUT** then the supercharged rates kick in. And the merchant is still stuck in the *ridiculous lease for equipment and a contract for card processing with a huge termination fee.*

Lesson: If it sounds too good to be true, it is *not real!* Be cautious and call us before you even think about signing anything. It is just too sad when someone gets bamboozled.

## **The Bank is God**

Sometimes Bob works for the bank. His boss, the bank, is interested in getting businesses to deposit their money and take out loans with the bank. Merchant services are an add-on bonus for the bank. In reality, the bank outsources their merchant services and bumps up the margins in exchange for acting as a middleman. The bank doesn't really know or want to understand the industry, much less take the time to train Bob to understand the interchange costs and keep up with all the changes. As a result, many times Bob ends up misleading merchants and giving them incorrect or less than adequate information. The service is also outsourced with out-of-state technical support. The interchange rates and pricing of merchant services is a complicated and ever-changing business. The equipment side of the business is getting more complicated as well with the introduction of web gateways and mobile processing with smart phones. The bank is not God, it can sometimes be Bob from Brand X.

## **Only \$.10 for Debit**



Bob is going around town telling people he can do debit transactions for \$.10. What he is not telling people is all the other charges for debit. Each different network has different rates and transaction fees for their cost. He is adding \$.10 onto those costs and perhaps onto some other non-disclosed fees. The problem is that some merchants still believe in fairy tales. Please be careful out there, folks. Beware of flying pigs.

### **Missing Close Letter**

We have a client who switched over to us a few months ago. We heard from them last week that they are still having trouble cancelling their old merchant account. We explained that the best way to do that is in writing and by getting confirmation via fax machine that the fax was sent. We also advised her to keep a copy of that fax confirmation. Lo and behold, she explained to us that she had done all of that, multiple times even, and still her account was open and incurring monthly minimum fees. Unfortunately, we don't know what to advise someone who is getting stuck with fees from a dishonest company. Perhaps changing bank accounts is all we could come up with. We know that is a pain and yes, you would probably get a hit on your credit report, but that beats paying fees every month to a scam company. Of course, Bob is no longer in existence on the face of this earth to help her.

### **I Will Save You 50%**

Recently a merchant told me how they had just switched their processing through Bob, who told them they were going to save 50% on their processing fees. Processors all work off the same cost, which is interchange. Interchange is the money the banks make for extending credit with the credit cards they issue. Visa and MasterCard add approximately a tenth of a percent on top of interchange. The processor makes another small sliver on top of that in order to service the merchant. Nobody, not even the scummiest of credit card salespeople on the planet, are marking up the costs 100%. In the case of 50% savings, Bob is misrepresenting the comparison in order to get the sale.

### **Our Rate is Only 1.49%**

It is amazing to me how many new tricks there are to fool merchants into paying higher rates. Here is a new one. Give the retail swiped rate for personal credit cards below cost at 1.49% knowing full well that hardly any cards will come in at that rate. Then jack up the price for rewards cards, corporate cards, and even debit cards. Bob makes a bundle and the unsuspecting merchant pays the price.

## **Liquidated Damages**

Recently we have seen card processors add a liquidated damages fee on top of their termination fee. Liquidated damages means that if you terminate an agreement before 3 years or any time during a renewal term, you owe the processor all the fees they normally would collect if you were still with them. Let me rephrase this. In addition to credit card processing fees that you would pay with your new processor, you also owe the old processor all the fees they are missing from you switching processors.

Bob from Brand X does not feel the need to tell you about liquidated damages, but considers it your duty to read the 30 pages of fine print to discover it for yourself. If you ask Bob about termination fees, he may (or may not) tell you the termination fee, and he does not consider liquidated damages as part of your question and part of the termination fee, so he does not point it out or add it to the total termination fees.

## **The Devil in the Details**

Recently a prospect asked me to look at their merchant statement. They were told by Bob from Brand X that they would get a flat rate of 1.59%. But their statement fees were enormously higher! How could that be? They even showed me their application where the flat rate was “clearly” stated. What I found was a qualified rate for 1.59%, and mid-qualified rate of +1.59% and a non-qualified rate of +1.59%. The plus sign was in small print and the numbers were not. To the naked, untrained eye, it certainly looked like a flat rate of 1.59% across the board. But the devil is in the details. This merchant’s rate was 1.59% plus 1.59% for mid-qualified cards plus another 1.59% for non-qualified cards, giving a total rate of 4.77%! You signed them up Bob but you are not going to keep this merchant.

## **The POS Story**

Recently we met with a prospect who told us this sad story. Their fees were tied to their POS that they got for “FREE” from Bob from Brand X. They had been unhappy since the beginning of their relationship with Bob because the rates were awfully high and the support for the POS was awfully low. “FREE” turned out not to be free. So they were happy to talk to Sleazy Sally who stopped by their shop. Sally assured them that she could take care of the processing and integrate with their current POS. So they switched. A week after they signed the contract with Sally, they found out that not only could Sally not integrate with their POS, but they were locked in to liquidated damages if they cancelled! That means it was going to cost them some \$20,000 to get rid of Sally’s company. And they still were committed to the first processor who sold them their POS, which they still didn’t like. Many tears and dollars later, their lawyer was able to give them some remedy from Sally without paying the liquidated damages. They are now waiting out their contract with their POS company and counting the days ‘til they can switch for real.

## **Scam for Restaurants**

One of our large volume fine dining restaurant client’s was approached by Bob who said he would save them over \$300/mth on their fees. Our client asked us to evaluate. We said we needed to see the rates Bob was presenting, not just a number of \$300 with nothing to back it up. It took the client 10 days to get a copy of the rate presentation. Bob doesn’t like to leave the facts behind on a piece of paper. That way he can’t get found out. He just blab’s “Savings of \$300” over and over again and hopes the prospect bites.

Well, we looked at Bob’s rates and they were 50% higher than the rates our client was currently paying! The small print in Bob’s presentation exposed the scam. He was taking an average wholesale interchange rate for all restaurants in the United States and adding his markup, which came up to less than what the client was paying currently. However, this fine dining restaurant can’t be lumped into a comparison of interchange rates from a bunch of fast food places with \$10 tickets and mostly debit cards. The fine dining restaurant naturally has a higher interchange rate from lots of rewards cards and corporate cards. Too bad you have to lie to get business, Bob. You might fool some of the people some of the time but not our clients, because we give honest, full disclosures and educate our merchants.

## **Only Charging 1% !!!!!**

This seems to be a current theme lately for Bob. He leads people on to thinking their entire rate will be 1%. This, of courses, is hogwash. The interchange wholesale cost varies from a low rate

for some debit cards of .05% to a high rate for corporate purchasing cards of 2.95% plus transaction fees. So the real story for the 1% is interchange COST PLUS 1%. However, that is not the extent of Bob's fake out. It is important to read and study any printed materials Bob reluctantly leaves behind. We perused one of his documents recently and found a SURCHARGE Discount Rate of 2.99%. This is added on to interchange plus his original 1% giving a whopping 3.99% over interchange costs!

### **I'll respect you in the morning.**

We have all heard the sayings, "I'll respect you in the morning. The check is in the mail. This merger will not affect your position." And the new one, "You can keep your insurance and your doctor". Bob from Brand X has added his own, "I'll save you money on your fees. There is NO termination fee. I'll be available to you for support. " We at Electronic Money Company have built our brand to reflect "Honesty before the sale and Service after the sale!" We thank you for your trust in us reflected by your years of continuing to entrust us with your merchant services. We love hearing from your, so never hesitate to call us with any glitches. They give us a chance to show off our service.

### **Low Rates with Bob from Brand X?**

One of our wonderful customers, Kim, recently told us about a "Bob" who came into their location wanting to "Save" them money on their credit card processing. He said he could save her a bunch of money only charging her 1.79% for qualified, mid-qualified and non-qualified.

He was blowing smoke out both ends. He was really just in town for a short stay to search for some naïve people with a scam on savings. His 1.79% turned out to be 1.79% on top of interchange, a huge increase in fees for Kim! This type of Bob always has a high termination fee contract in fine print so his scammees will be stuck with his high rates.

### **A Got Snookered Story**

Recently we talked to a prospect who had just switched processors but told us his sad, got snookered story. 6 months after starting processing, he thought his rates were too high and his machine was too expensive, so he tried to contact his salesperson at his bank. He could not get a

hold the guy since he no longer worked at the bank, so he just up and switched to mobile app processing. He returned his machine to a clerk at the bank. Lo and behold, he got charged a \$3000 fee on his statement for breaking a lease on his equipment, which he didn't even realize that he had. Then he got hit with a \$3600 termination fee, which was called liquidated damages, the amount of merchant services fees they had lost since he cancelled his contract before his contract ended.

That bank's processor sure didn't explain the situation correctly at the beginning of the relationship, nor treat this customer right at the end of the relationship. This bank is now terminating their relationship with their former processor. You see, banks are not processors themselves, they outsource it. Know anyone who is unhappy with their bank processing? Let us know and we will go talk to that bank about our up front honesty regarding fees for their customers.

## **Lack of Service That Cost Us a Fortune**

We recently heard from a restaurant about an incident with their processor that ended up costing them a fortune! It turns out that there was a glitch in the technology and a bunch of their customers got charged 4 times! Not once, not twice, not three times, but four times. This restaurant could not get a hold of Bob or the processor to fix or even acknowledge the problem. After a couple weeks of absurd frustration, they refunded their customers themselves. It took another month for the processor to fix their mistake and do the refunds. The customers ended up with two refunds, but the restaurant just let that be and decided to end their relationship with the processor. Electronic Money Company is always available at the touch of a phone to help with any situation and we respond immediately. Honesty before the sale and Service after the sale is in our team culture.

## **Effective Rate**

Bob sometimes likes to talk about effective rates with prospects. The effective rate is the total fee at the end of your statement divided by the volume of sales processed. Of course, he tells everybody they should have a low effective rate. However, some merchants are going to have higher effective rates than others just by the nature of their business. For example: If you take a lot of debit cards, your effective rate is going to be a lot lower than if you take a lot of corporate cards. This is because the interchange rate of debit cards swiped is much lower than the interchange rate of corporate cards. Don't get fooled by Bob trying to scam you into a contract

by comparing your actual interchange rates to a fictitious effective rate based only on taking debit cards.

## **A Bank Proposition**

I recently met with a former client who left us because he wanted a line of credit for his business from his bank. They told him that he would also have to give them his credit card processing merchant account. He really needed the line, so he complied. Now a year later, he asked me to come look at the fees on his statement. I discovered he was paying them over \$700 per month over our processing rates! Yikes, that is an expensive line of credit!

We have loans and advances on credit card receivables that are nowhere near that cost plus a low rate!

## **Will My Rate Ever Change?**

When asked about rate increases, Bob from Brand X always LIED, (that's right I said LIED) and said that rates would never change with him. The fact is that 99% of processors raise rates whenever they want to. Typically they raise rates when they are getting ready to sell out to a bigger processor, in order to inflate their bottom line. I have experienced this twice during my career. Then I got smart and renegotiated my contract to have control over fee and rate increases! I refuse them all for my entire portfolio! Yeah for our family of clients! Of course, we are giving up money, but the tradeoff is that we want to keep you as a client for life!

I had to laugh recently when we gave a quote to a restaurant with large volume. We offered a lower rate than their current processor. Their current Bob from Brand X responded that Electronic Money Company couldn't possible offer a rate lower than theirs and that it would be an introductory rate with increases to follow. So this time, this Bob from Brand X, told the truth about typical rate increases in the industry but LIED again about EMC and rate increases. We are leaving you in the dust, Bob, as we take your clients away and give them better service WITH NO RATE INCREASES FOR REAL!

**“I will save you \$500!”, Bob from Brand X. Say What?**

A current merchant called us and asked us to review a proposal from a competitor. The competitor had a copy of the merchant statement and wrote on it, "Savings of \$500!" and circled it in red. He had no data to back up the savings. The merchant wasn't even paying anywhere near \$500 in fees over the wholesale interchange. Bob the scammer got found out.

## **I Only Charge You "COST"**

Let's say Bob comes in and quotes you COST for all retail swiped personal credit cards. You're thinking, "Man this is great, I'm getting cost!" But the fact is that you only take one or two retail, swiped, personal credit cards each month. Most of your swiped cards are debit cards and Bob is now marking them up a ton. So Bob isn't saving you anything at all. He's actually charging you more. There are lots of ways to put lipstick on a pig!

## **"I'm With Your Credit Company" Fake Call**

Here's a new gimmick from Bob. He calls a prospect and says that he is with their credit card processing company and noticed they were being overcharged for fees. If they send him the last two months' statements, he will work on a refund for them. It is all a lie. If Bob lies to get the sale, you can be sure he will continue to lie again and again.

## **Terminal Paper**

I actually met a guy on a shuttle bus to a marketing seminar. Get this! His first job at 14 was with a telemarketing company that sold credit card terminal paper! He actually worked for and earned commissions selling \$300 cases of paper for terminals to unsuspecting employees and owners. His script was to say he was with their credit card company and they knew they were low on paper, so could he ship them a case?! Don't talk to people who want to ship you credit card paper! Call us at 505-296-2847 and we will give you some reliable supplies with low cost paper.

## **Only Cost plus .20% Fake Out**

New game plan from Bob hits the scene – quote the customer cost plus a low percentage like .20%, but don't tell the customer that debit cards, airline rewards cards, and corporate cards will be billed back at a higher rate than cost plus .20%, which most of the cards end up being! Hardly anyone ever receives just a plain old credit card anymore. Now the unsuspecting merchant thinks they are getting a killer deal, too good to be true. When they get their first statement, sometimes the new customer doesn't even bother to compare the new statement to their old processor's

statement. Then two or three months go by and the customer decides to look at the statement to discover that they are paying even more than they were before. But lo and behold, calls to the processor go unanswered. And lo and behold again, there is the discovery of a huge termination fee. What is a customer to do? Discernment is the only answer.

### **New Terminal Lease Fake Out**

Bob is still out there selling high leases on equipment. I ran across a merchant last week who was told she needed a new terminal for \$100 lease payments, but not to worry because her savings were way higher than \$100/month. Wowza! Bob earned a great up-front commission on that one. And there was no documentation on the monthly savings, just a verbal comment that she would be saving a bunch. FAKE OUT!

### **Wells Fargo Calling... NOT!**

Recently a customer relayed a story about her previous processor, Bob. He prospected her on the phone and told her he represented Wells Fargo, which just happened to be her bank. He told her she would save money on her checking account fees if she used Wells Fargo credit card processing services. So she signed up. When she got the first statement, she discovered that her processor was *not* Wells Fargo, but some company out of state.

### **We Only Charge Interchange**

Recently there was an article from our industry magazine about a processor selling interchange pricing. But it turned out they were padding the interchange and not disclosing this to their merchants. So the merchant was paying interchange plus a surcharge, all under a category called interchange.

### **Read the Fine Print**

I recently spoke with a non-profit who closed one of their entities. They went to close their merchant services account at their bank, and lo and behold, they found out that the contract they had signed stated they would be responsible for paying the average surcharge fees the bank had been collecting from their merchant services until the end of the contract, even though they were



not processing anymore! They certainly didn't understand that stipulation at the beginning of their agreement.

## **The Fake Flat Rate**

I recently spoke with a new business wanting to set up credit card processing. He wanted to compare us to another company that gave him a quote with a flat rate of 1.89% and \$.19. The rate was, obvious to me but not obvious to a rookie, only for qualified transactions. I knew it was too low for rewards cards, corporate cards, and keyed-in cards. At the quoted rate, the processor would lose money big time. The prospect didn't believe that he was being lied to, so I asked him to send me a copy of the application that they wanted him to sign. Of course, on the app was an extra 2.99% over the original 1.89%. When I pointed it out to him, he became a believer. Lesson: Don't trust verbal quotes and quotes in emails. Read the fine print on the agreement.

## **The PCI Trick**

Today, one of our merchants called because they had received a phone call from someone saying they were with merchant services regarding their PCI compliance. The caller went on to explain that their machine was not PCI compliant and that he could send out a new one at no cost right away. Our merchant was wise and pushed to find out from the caller exactly who would cover the cost of the new machine. He finally admitted that he was from another processor and could give her a new machine if she switched. (New rates would cover the cost of a new machine.) WOW! Sleazy Bob has lowered himself to a new even lower level of no integrity, trying to scare and trick merchants using PCI as a weapon.

## **Will My Rate Ever Change?**

When asked about rate increases, Bob from Brand X always LIED, (that's right I said LIED) and said that rates would never change with him. The fact is that 99% of processors raise rates whenever they want to. Typically they raise rates when they are getting ready to sell out to a bigger processor, in order to inflate their bottom line. I have experienced this twice during my career. Then I got smart and renegotiated my contract to have control over fee and rate increases! I refuse them all for my entire portfolio! Yeah for our family of clients! Of course, we are giving up money, but the tradeoff is that we want to keep you as a client for life!

## **Rate Increases! – Not With Electronic Money Company**

I had to laugh recently when we gave a quote to a restaurant with large volume. We offered a lower rate than their current processor. Their current Bob from Brand X responded that Electronic Money Company couldn't possible offer a rate lower than theirs and that it would be an introductory rate with increases to follow. So this time, this Bob from Brand X, told the truth about typical rate increases in the industry but LIED again about EMC and rate increases. We are leaving you in the dust, Bob, as we take your clients away and give them better service WITH NO RATE INCREASES FOR REAL!

## **Education Time from Electronic Money Company:**

### **How to Know Exactly How Much You Are Paying Your Processor.**

First you need to understand if you are on a Cost Plus or a Tiered Pricing Program.

Here's the down low and you won't get this from Bob from Brand X. Credit card processing rates and fees are broken down into 3 separate parts that make up the total fee you pay.

1. Interchange rates – These are the fees that the bank who issue the card receives. This comprises the bulk of the total fee a merchant pays. The higher risk of fraud, the higher the rate. Debit cards are the lowest risk and the lowest rate. Corporate cards are the highest risk and the highest rate. Swiped cards have lower risk than keyed in cards or cards entered on an e-commerce site.
2. Brand fees – Fees from Visa, MasterCard, American Express and Discover. These costs stay relatively static. They don't vary much on risk.
3. Surcharge fees – Fees that the processor charges over interchange and brand fees in exchange for servicing your merchant account.

Cost Plus Pricing is structured as described above, the interchange rates and the brand fees are the cost and the surcharge fees are the “Plus.”

Tiered Pricing is a blending of the interchange rates, the brand fees and the surcharge fees into 3 rate tiers making it extremely difficult to know exactly what the processor surcharge is. Tier 1, also called the qualified rate, is for swiped credit cards and debit cards, which have the lowest risk and lowest interchange rates. Tier 2, the mid-qualified rate, is for card transactions that are entered in manually from a phone call on an e-commerce site, not swiped. The risk is higher when the card is not swiped, therefore the interchange rate is higher. Airline rewards cards also fall into this tier 2 rate because the bank has to purchase an airline ticket for the reward. And when you take a corporate credit card you get charged an even higher rate, tier 3, again because there is higher risk of fraud for these cards.

Cost Plus Pricing is more transparent. Either way, we processors are making just a small mark up and the banks who issue the cards are getting the bulk of the total fee! Let us know if you want a detailed education of your monthly statement. We will be happy to stop by to make sure you are clear about every item.

## **The Other Fees:**

When Bob from Brand X does a comparison for you against your current processor, usually he just shows you a comparison on rates and transaction fees. Other fees not mentioned up front and not pointed out on your application will ultimately show up your merchant statement and can make a total difference in the actual comparison. Examples of these fees are:

1. Monthly fees with different names like statement fee, monthly fee, customer service fee, customer insights, or maintenance fee and the list goes on.

2. Monthly Gateway fees – or maybe you get charged the gateway fee separately from your bank account.
3. Gateway transaction fees
4. Monthly Terminal Support Fees
5. Club fees
6. Paper roll fees
7. Annual fees
8. Non daily discount fees – A made up fee?
9. PCI fees.
10. Non-compliant PCI fees
11. Data Breach Protection Fees
12. Chargeback and Retrieval Fees – For servicing and handling chargeback research.
13. Monthly chargeback fees instead of individual chargeback fees whether you get a chargeback or not.
14. Termination fees should you decide to leave their lousy service.
15. Liquidated damages fees –Astronomical termination fees equaling all the fees the processor would have collected during the term of the contract should you not have terminated.

## **Lowering Rates for Business to Business (B2B)Transactions**

Rates on Corporate, Business and Purchasing Cards are the highest because they have the highest risk. Employees with corporate type cards sometimes use their cards fraudulently. Perhaps they are supposed to buy supplies and parts, but they slip in a dinner out for their spouse or fill up a tank of gas. As a result, there tend to be high chargebacks as companies figure out the misappropriated funds.

There is a way to lower B2B processing rates. Bob from Brand X does not take the time to keep in touch with his merchants and inform him of this strategy. If a merchant can pass along information regarding the items purchased, their SIC code, sales tax and shipping information, then the rate of fraudulent use is lower and the processing fee can be lowered. The catch to this is the time and hassle of entering all the extra information.

New technology is now available to pass along that item information automatically behind the scenes. Contact us if you take credit cards from other businesses and not just from consumers. Contact us if you want to take a look at saving 1% on these types of transactions.

## **How Processors Lie About the Rate on their Monthly Statement**

A new merchant contacted us recently about comparing our rates to his current processor. He told us the low cost plus rate he thought he was paying. He even verified it with his processor that this rate was all he was paying. When I got the statement, sure enough, there was a very low rate in plain sight. However, when I delved deeper into every line of fees, I discovered something called, DF&A. I had never seen a fee with this name before. It was listed under his Visa charges, MC charges, Discover and American Express. It calculated out to .175% of his sales each time. I have renamed the fee, a BS fee! This is plainly and clearly an attempt to TRICK and SCAM the merchant! It is nothing more than an extra rate on top of his other rate! How does this company live with itself? I just don't get it. Our customers want to stay for life. It takes integrity to keep earning that kind of loyalty.

## **Shopping the Internet for Rates Nightmare!**

Some people shop the internet for credit card rates. This is scary to me! The rate structures of card processing are like balancing a scale, with not just two buckets to compare, but about a hundred. There are so many different rates for different types of cards and it is just plain difficult, to say the least, to compare tiered pricing, to cost plus pricing, to cost plus pricing with bill back, to flat rate pricing, to flat rate pricing except for... and so on... and so on.

It is just way too complicated for merchants to actually compare. And then you have to be careful of maintenance fees, annual fees, extra weird-name fees, and of course, the, "We have no contract, but in the fine print you get charged \$1,000 if you switch within three years," hidden in fine print fee. So in the end, don't forget about the value real service and support. That could be worth far more than a difference of a few dollars in a rate comparison. That is our favorite part of our day! Hearing from our clients and helping solve a concern is the feeling good stuff that lets us know we are making a difference in someone's business success.

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