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# AAMONTE Update

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## **A “Merchant Service” by Any Other Name**

There are hundreds of companies that maintain “merchant services” as their business. There are even companies that claim their name is Merchant Services. It’s a nice trick if you think about it. A person calls and says, “Hello, I’m from Merchant Services and I need to see your monthly statement to make sure you aren’t paying too much for credit card processing.” With a vague name like Merchant Services a merchant might be inclined to send over their information and agree to something they didn’t quite understand. With a name like Merchant Services how could they not be in the business of servicing merchants?

Recently, one of our merchants was told by an offending company that there have been changes made by Visa and MasterCard to the tiered pricing structure and that if the merchant signed with them they could guarantee that they would save hundreds of dollars a month. Aside from the fact that our company didn’t collect hundreds of dollars in fees the merchant was not on a tiered pricing structure, which, in our experience has usually never been in a merchant’s favor.

Thankfully, the merchant contacted our office and was able to determine that the “important notice” from “Merchant Services” was just another sales ploy. If a company has to trick you into doing business with them what other “tricks” do they have up their sleeves?

## Use this checklist to help you manage your payment processing costs:



The cost of accepting card payments is driven primarily by interchange, which is set by the card networks: Visa, MasterCard, Discover and American Express. Your cost per transaction is based on the quality of the information you send the card network. To earn the lowest rate, you must give the card network what they need to know to approve the transaction. When you send them less information or incomplete information, the risk is higher for fraud or error, which can result in a higher transaction cost.



## When you follow procedures, you can earn lower rates:

**Whenever possible, swipe the card.** Swiped cards earn lower rates than hand-keyed transactions, because they have a lower risk of error or fraud.

**If you must hand-key** a card-present transaction, answer every question prompted by the terminal. If you skip a step, the transaction will be downgraded, and you may pay a higher rate.

**Avoid voice authorizations** unless prompted by your terminal. Voice authorizations don't capture the electronic authorization codes to qualify for lower transaction rates.

**Settle transactions as soon as possible** after authorization. Settling card-present transactions in 1 day earns lower rates than waiting 2 or more days.

**Don't misuse the authorization system just to check the status** of a card account. Do a proper authorization when you know the transaction amount. If that's not possible, consider a "zero dollar" authorization, which is not free, but is less costly than the transaction being downgraded and being charged a "misuse of authorization system" fee.

**Capture the cardholder's billing address** for Address Verification Service (AVS). For online sales, customers must provide their complete billing address during checkout. For phone orders, make sure your point-of-sale (POS) system is programmed to prompt your staff to request and enter the customer address.

**For card-not-present (CNP) sales** such as mail, internet or phone orders, make sure your POS device can accurately identify card-present versus card-not-present transactions when you key enter customer information. You must use AVS to get the best possible rate. For CNP transactions, AVS will ask you for an address and zip code. CNP transactions won't downgrade to a higher rate, even if the customer's address or zip code doesn't match AVS. However, if your POS device incorrectly identifies a CNP transaction as card-present, AVS will prompt you only for a zip code.

**The New Credit Card surcharges:**







*Will they be right for your business?*

One result of the Visa & MasterCard Interchange Settlement is that when systems are ready to support this new function, merchants will be able to charge their customers a surcharge when they pay with a Visa or MasterCard credit card. Before the settlement surcharges were prohibited by Visa and MasterCard.

**Key Information About Surcharges:**

*What's a credit card surcharge?*

A surcharge is an extra fee you charge to your customer if they choose to pay with a credit card (**not debit cards or prepaid cards**). After systems are modified to offer surcharge capability, it will be up to you whether you decide to add a surcharge – or not.

<b>Should You Add a Surcharge?</b>	
<i>Here's how merchants are weighing the decision:</i>	
<p><b>PROS</b></p> <ul style="list-style-type: none"> <li> Offset the rising expense of 'swipe' fees.</li> <li> Make customers aware of the cost of using plastic.</li> <li> Lower prices, for cash-paying customers.</li> </ul>	<p><b>CONS</b></p> <ul style="list-style-type: none"> <li> Drive more customers to pay with cash or check, which can be less secure.</li> <li> Push customers to competitors that don't impose a surcharge.</li> <li> Add to check-out time.</li> </ul>

**NOTE – According to the Payment Networks, these states restrict surcharging:**

California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma and Texas. In addition, Illinois, Hawaii, Rhode Island and New Jersey have introduced legislation to ban surcharges. Pennsylvania, West Virginia and Vermont plan to Introduce their own bills soon.

**When will surcharges be possible?**

Not for a while. Most payment processors haven't had sufficient time to make the system changes to allow individual merchants to add surcharges.

**Think about your clients' reactions:**

And how it might affect sales. Would a surcharge be accepted by your customers? Would it cause confusion that could make lines longer? Will your competitors add surcharges?

**You may have other options:**

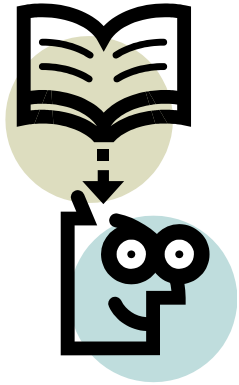
To discourage customers from using credit cards for small items, you may prefer to set a minimum amount, such as a \$10 minimum for credit card purchases. The minimum for credit card purchases can't exceed \$10. You may not set a minimum amount for debit cards.

**If you decide to surcharge:**

You must notify us, Visa and MasterCard in writing 30 days before starting to surcharge. You'll also need to display notices disclosing your surcharge policy at your business entry, at point of sale, on your customer receipts and on your online website where your credit card acceptance policy is disclosed.

**Are there limits on the amount you can surcharge?**

Your surcharge may not exceed 4% of the underlying transaction amount or your actual transaction cost, whichever is lower.



## Stopping Fraud Before it Starts

Our office was recently contacted by an individual who represented themselves as part of a non profit organization, Escape, Inc. This persons goal was to get processing documents and merchant information in order to perpetrate fraud. Thanks in part to our offices due diligence we were able to contact the real representative from the organization to notify them of the fraudulent activity, which, the merchant was very grateful that our office had taken the time to investigate. Michael McLeieer, the President of Escape, Inc. commented ,“I have just received the national Firemark Award last week in the state of Massachusetts for our community service and our public education, so it doesn’t surprise me that this type of person would take advantage of the national news releases and the attention that our charity has received as a national model.”

## BEWARE OF DISHONEST “MERCHANT SERVICES”

**Has your merchant service provider ever promised rates that were a little too good to be true?**

If so, there’s a good chance it’s too good to be true. Recently, merchants have discovered that their rates were based on false information given to the processor by dishonest sales reps who could only guarantee low rates by falsely and intentionally stating the business type. This of course, is fraud and can cause serious financial repercussions. Placing businesses in erroneous merchant categories in order to obtain preferred pricing is never in a merchant’s best interest and can lead to large fines and action taken by the major card brands to disallow any usage by the offending merchant.

**BOTTOM LINE: Honesty is ALWAYS the best policy.**



## A DECLINE IS A DECLINE!

When a customer hands you a credit card, you, the merchant are the first line of defense from fraud. If a cardholder's card is declined then that is exactly what that message means; **declined**. It is aggravating. When a merchant wants a sale to go through badly they will forget certain security measures and try to run the card until it is authorized. We have seen this happen many times and the merchant pays the price. If, for instance, the merchant is able to get the credit card to go through despite the decline or error messages they run the risk of providing products or services only to lose the sale when the cardholder's company disputes it. It may be a little embarrassing to ask for another form of payment and you may lose the sale, but what you lost in a transaction could pale in comparison to what you lose when you discover that you were defrauded.



### How Well Do You Know Your Merchant Service Provider?

Two weeks ago our company was contacted after-hours by an on duty police officer patrolling a local business park. The officer observed that a particular merchant's front door was unlocked and that the cash drawer was out for all to see. The officer then cautiously entered the business and saw our contact information on the counter and immediately called our 24 hour local service number and was able to speak with our customer service staff, which is on a first name basis with the merchant. Our staff was able to attain the contact information for the owner and a crisis was averted because of great customer service and the family like relations we share with our merchants.

**BOTTOM LINE: Know who you do business with and make sure they know YOU.**



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