

## **Questions to Ask**

There are several very important questions that you need to ask when choosing a merchant service provider. There are of course the standard questions you want to ask (What is your rate, transaction fee, statement fee, and monthly minimum?), but did you know that these are just the beginning? It's the "other fees" you really want to know about...and some companies have up to 20 "other" fees. Some of which you may have never even heard of will likely be the ones that will cost you the most. The following list of questions will provide you with an explanation of the questions meaning, some answers to look for, and why they are important to ask. We encourage you to print this list and be certain to ask all of these questions **before** entering into an agreement with a provider. When comparing companies, do not assume anything regardless of how much you like the sales person or how well you think you know them. The fact is it is always best to know all of the facts. Being confident you found the right processor for your business, the first time, can be priceless. So please read through these questions, understand them, and ask them...we promise it will save you some major headaches down the road.

If you have any questions regarding the material below please do not hesitate to call us at (888) PAYEX4U or send an email via our "Ask A Question" page at [www.wemsk.com](http://www.wemsk.com).

### **Where are you and your office located?**

This is really relative to your personal preferences. Is it important to you that you have a representative you can speak with face to face? Are you concerned whether or not the individual you are dealing with has an office that you can visit or if he/she works from home? What if you can't reach them by phone or email?

Whatever your preference, it is extremely important to make sure you can contact them quickly and easily when you need help in the future. If you decide not to go with a local company make note of time zones. If the company you choose is located in a time zone three hours behind your own, how will that affect your ability to contact them during your business hours? Many companies have representatives all over the country, however technical support is often in one office, so make sure that office will be open when you are.

### **Can you provide me with a list of references?**

Although sometimes biased and the representative will only give you his favorites, this is still extremely important. The key thing to make note of is; how long each client been with the company. If the list only consists of clients that have been with them for less than a year, you should be a little concerned. The list should contain at least five, but preferably ten or more. Make sure some of the references have your sales rep as this will likely be your main contact.

Most importantly—make sure you actually call the references! Of course you will want to ask what they like, but also ask where they feel the company can improve. No company is perfect and every customer and their individual needs are different. The things that the references may not have cared much about could be your one selling point....and you won't know unless you ask.

### **Do you earn an ongoing monthly income from my account?**

The answer you are looking for is YES! If your sales representative only earns a salary or one-time bonus or commission, what motivation do they have to make sure you are satisfied for years to come? Having a sales representative whose income is dependent on the satisfaction of his/her clients will assure they want to keep your business, and will hopefully be there when you need them.

The fact is, your representative is a crucial point of contact in your processing relationship. The representative is the one who should be readily available to you and is easy to reach in times of need. They will also be more familiar with your business and therefore better able to help when you need it. If the company ever lacks in service or support, they may be the only one you can count on to help you out of a jam. In short make sure that you trust your sales representative to be there for you as much as the actual processing company.

### **What is the term of the contract and is there an early cancellation penalty?**

Virtually every provider has some sort of “initial” term to their contract and an early termination penalty. If you ask the questions we are giving you and you can make an educated decision in the first place, this should be of little concern. It's very important that you know the “whole deal” up front.

There are two things you want to avoid here.

1. An agreement that automatically renews the “initial term”. All agreements will automatically renew after the initial term. You just need to make sure the termination penalty only applies to the initial term. Otherwise, you might be in a situation where you can only cancel your agreement once per year during a certain, very limited time frame to avoid a termination fee. And yes this does happen or we wouldn't be warning you.
2. An agreement where the early termination fee is not a preset amount and instead is an arbitrary number based on your processing volume or profits derived from it. This can often turn a simple \$300 termination fee into thousands of dollars.

It is recommended you never sign an agreement with either of the above conditions.

### **What is the turnaround time for deposits?**

Typical turnaround time for deposits is 48 hours. However, some companies hold deposits for as long as 72 hours. Others may be as long as five, seven or even thirty days depending on the processor and the type of business you own. You just need to know what their policy is and keep in mind that the quicker your deposits are made the faster you will get your cash. This a good question to ask those references as well. Ask them if they have ever had problems receiving their deposits and if so how quickly the problems are resolved. This is an issue that leaves some merchants jaded and wishing they had asked more questions about the company's policies up front. Don't be the one who is still waiting for their cash 3 weeks later, double check and make sure the quoted turnaround time is actually the norm.

### **Do you deduct the fees before depositing my money or at the end of the month?**

This varies from one company to the next and some companies have the ability of doing it whichever way you prefer.

Daily discount means certain fees are debited from your sales prior to the deposit to your account. This can be nice because you do not have one large surprise debited from your checking account at the end of the month. The downside is that it can make it difficult to reconcile your checking account on a daily basis.

If daily discount is what you prefer or the only option the provider offers, you should also ask exactly what fees are debited. Some may deduct a simple flat percentage rate, while others may take all fees associated. The more fees deducted daily, the harder it is to reconcile if you are the type of person that wants to know how much money to expect—before you have it.

Monthly discount is the exact opposite of course. This means you will receive 100% of your processing funds each day. All of your fees are then debited from your account at the end of the month.

### **What promotional material is provided?**

This question is not so important if you are already processing credit cards because you most likely have stickers and other material. However, if you are not processing, you want to ensure that you will receive adequate promotional material because it is not very easy for you to acquire it otherwise. Most merchant service providers should be able to provide you with at least stickers for your storefront.

### **Do you have 24-Hour Customer Service?**

This is especially important if you are open for business beyond the hours of 9am-5pm, in the time zone of your provider. If your terminal malfunctions and you cannot process credit cards, will there be someone there to get you back up and running...quickly?

Another thing to consider if the processor does offer 24-hour customer service is who is actually on the other line. Do they outsource to a larger processing company, or are they answering the calls themselves? If they outsource, the person on the other end of the line may not know the particulars of your account and could therefore have a more difficult time helping you.

### **What is the average hold time for customer service?**

The best answer would of course be “What hold time?” Just asking this question is not good enough! If you are sitting down with a representative, ask him or her for the phone number and dial it on the spot. Then again...if sitting on hold for 30 – 45 minutes is not important to you...feel free to skip this question.

### **Do you offer 24-Hour onsite service?**

Sometimes things just cannot be fixed over the phone and the truth is you shouldn't need to know how to fix your own terminal. If you think you will need onsite service at some point it will be wise to go with a local company that is not a bank. In most cases the person who opened your account, a sales representative, or a local technician should be able to come to your location to service your equipment. Having this option available to you is worth the extra investment.

### **Is the monthly credit card and debit statement integrated?**

This only applies to retail businesses that accept ATM/Debit cards using a pin pad. It is much easier to have one consolidated statement than to receive two separate statements. In addition, typically if you receive two statements, you also enjoy paying two statement fees.

### **What is the length of the equipment lease?**

If you are leasing equipment, it is important to know the length of the lease. They usually range from one to five years, but most commonly are four years long. You should first determine whether to buy or lease. Sometimes smaller up-front payments that add up to costing \$1000's more are not always the best choice. If leasing is the best option for you, knowing the payment amount and length of the lease is critical

in determining the best solution. Often times, a shorter lease may result in a minimal increase in your payment, thereby saving you a significant amount of money. Be sure to ask about insurance and how to avoid paying it. This can cost \$5+ per month per piece of equipment and is nothing more than extra money in the leasing company's pocket. Also be aware that you will pay sales tax on your monthly lease payment.

### **What are the options at the end of the lease?**

There are generally three options at the end of each lease. By default, the lease will automatically turn into a month to month rental. You will continue to pay this until you decide on one of the next two options. You will most likely NOT be notified when your lease is up. Therefore, it is critical you set yourself a reminder to avoid paying more than necessary.

Another option is to send the terminal back to the leasing company and end the lease. Depending on how technology has advanced over the time you were leasing your equipment, this may or may not be a good option.

The final option is to buyout your lease. The buyout amount can differ from one leasing company to the next. It is typically a percentage of fair market value and fair market value is what you paid over the term of the lease. For example, if you had a \$30 monthly lease payment for 48 months, your buyout would be calculated like this.  $\$30 \times 48 = \$1440 \times 10\% = \$144$  buyout. While 10% is a common buyout percentage, it can vary from one company to the next and may even change based on how long the lease is. Knowing your options at the end of your lease is clearly a critical part of your questions.

### **Is the equipment new or used?**

If you are purchasing equipment, then it is truly your decision whether or not new equipment is important to you. Keep in mind that the majority of leasing companies will not lease used or refurbished equipment.

Some refurbished terminals can cost significantly less and perform just as well. Be sure to do your research on the type of terminal you will need, and what options are available. Whether you are buying new or used be sure to ask about warranties or terminal replacement programs. As we all know technology can be unpredictable, so be sure whoever you choose has a system in place to help you out should your equipment need replaced.

### **Is the equipment proprietary?**

This is a VERY important question! If the company's equipment is proprietary it means that it is programmed to work specifically for that processor and no other. If you are buying or leasing proprietary equipment, and you decide that you do not like the company you chose, you wasted every dime you spent on the terminal because another company cannot reprogram it. If that company raises your rates or does not provide reliable service, you cannot simply switch to another processor. [Click here](#) for a list of known proprietary equipment and companies who sell them.

### **What is your equipment replacement policy?**

The company that you choose should have an equipment replacement policy that allows you the option of obtaining replacement equipment should something go wrong with yours that cannot be fixed. We're dealing with technology and it would be naïve to think that something will not go wrong at some point. When it does you want a company that can get you back up and running quickly. The company you choose should have a program that allows you to pay a small fee every month, so that when something does go wrong, you can have a replacement terminal at your door the next day. Typically, a replacement program does not apply to software, mobile terminals, or electronic cash registers.

### **Will the installation and programming be handled in person?**

This comes down to personal preference, but still something you want to know up front. A good company will either install the equipment in person or send you the equipment fully programmed and ready for use. Either way, they should be willing to spend as much time as you need to learn and understand the equipment's functions and proper use.

### **Are there any monthly fees for debit?**

Some companies will charge an additional statement fee or access fee to accept ATM/Debit cards with a pin pad. Keep shopping because there are plenty of companies who do not charge such fees.

### **Is your quote based on retail/swiped transactions or manually entered/keyed transactions?**

If you are an Internet or mail order business, this is a very important question. There are certain risks that come with manually entering a credit card number so to cover the cost of these risks processors charge more for manually entered/keyed transactions. These can range from a few cents per transaction to several dollars. If a company doesn't ask you the right questions and quotes you retail/swiped fees and you manually enter transactions, you will be charged a much higher fee than if you were setup correctly with a Mail Order/Telephone Order/Internet account where there should be no surcharge.

### **What is the manually entered or mid-qualified surcharge?**

Every company has these surcharges because they are passed down directly from Visa and MasterCard. However, these surcharges can be drastically different from one company to the next. On average, you can assume a 1.25% to 1.50% surcharge.

### **What is the foreign card or non-qualified surcharge?**

Like mid-qualified transactions, every company has these surcharges because they are passed down directly from Visa and MasterCard. However, these surcharges can be drastically different from one company to the next. On average, you can assume a 1.50% to 2.00% surcharge.

### **Do you have a batch header fee?**

Sometimes companies build this into their transaction cost and other times it's billed as a separate line item on your statement. It's not an uncommon fee, but it can vary drastically from one company to the next.

### **Do you have an annual fee?**

Sometimes this can be avoided, but it is becoming more and more common as margins continue to shrink. Often times companies will charge an annual fee when there is special pricing negotiated.

Some companies do not disclose that there is an annual fee up front, but will still charge a fee each year. It is often called a technology update fee or something similar. This is legal and within the terms as most agreements state they can charge a fee or raise prices with 30 days notice. So even if your contract says there is no annual fee... ask if they do or have ever charged anything resembling an annual fee.

### **How long are my fees guaranteed not to increase?**

Visa and MasterCard review the cost that all banks pay to process transactions on a regular basis. There are typically changes passed down in April or October. These will almost inevitably affect you. The key is by how much. Some processors only raise what is needed to cover the increase, while others will use that update to their advantage and over raise fees. Ultimately, you'll know the level of integrity of your sales representative by his answer here... if he/she says we don't raise fees... it's time to find another company to consider.

### **Conclusion...**

We hope that this material will help you be better able to choose a Merchant Service Provider. Unfortunately, some companies or sales people do not explain the whole story and all of the costs involved. Asking these questions should help you get the answers you need to make the right decision the first time.

In case we didn't make it abundantly clear, one of the most important things in your decision process to consider is your representative. How experienced are they? How long have they been with the current company? Do they educate you? Are they pressuring you to sign today? Do they return calls for the references they provided you? How involved will they be with your account after you are setup?

You don't need your representative to be front line support for you. You just want to know that you can count on them now (before the sale) and down the road. There WILL come a time when you need them. Their experience and tenure with the company can help confirm if they will in fact be there for you.

For a more detailed explanation of the in-depth technical terms, be sure to visit our [Technical Details](#) and [Glossary of Terms](#) sections.

For additional advice, news, and rules and regulations of the payment processing industry visit [www.whateverymerchantsouldknow.com](http://www.whateverymerchantsouldknow.com) regularly and stay educated. Being educated will save you time, money and the hassle!

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