

**CORONAVIRUS and Credit Card Processing:** What you need to know NOW to avoid costly mistakes

By: Eric Cohen, CEO Merchant Advocate

In the current climate of Covid-19, we are all being inundated with messaging from every company and brand we ever came in contact with. Some are extremely helpful, and others are just sales pitches. We have all seen the emails letting us know who is working and where we can go to get help with issues. What most of us have not seen is messaging regarding what is going on in the world of credit card processing.

Your credit card processor probably sent out a message telling you they are working virtually and how they can possibly help you create sales, but no one is providing a real look into what is and what will happen in the credit card processing world. As your advocate, we have put together a few areas that you need to know about now and for the future.

Merchant Advocate analyzes billions of dollars in volume and thousands of accounts every day, whereby we receive communications and analyze data from almost every processing company. Through these conversations and data, we are well positioned to see the macro view of what is currently happening and what the near future holds for our clients. We feel compelled to share what we are seeing today and what you need to know to protect your business.

- 1) **FOREBARANCE or DELAYS** in paying your fees – Many businesses are working to delay payment on as many bills as possible during these times. However, the credit card processing industry is not one that you can afford not to pay on time:

**IF YOU ARE STILL PROCESSING** and you do not pay your month end fees your account may be put on an automatic hold in the beginning of April, so the Processor can recoup the fees out of your daily batches. While this doesn't seem right, please understand that your Processor, who usually earns the least, is on the hook for these funds if you don't pay them. Most Processors will do this automatically and without notification which can cause you to fall short for other bills and payroll.

**IF YOU ARE CLOSED AND NOT PROCESSING** – If you are closed you still must have enough funds in your account to cover the fees due for the transactions from the prior month. If you fail to cover these fees there are a number of repercussions. First, most Merchant Accounts are signed up with a “Personal Guarantee”, which means the owner or signer will now be liable and collections proceedings will begin.

The second and more important issue is a TMS (Terminated Merchant File) list, which is basically a “blacklist”. This industry wide list was originally created for accounts that had fraudulent activity. While the rules changed about when to put Merchants on this list for not paying month end fees, some Processors and ISO's will still attempt to put YOU and YOUR business on this list. Once you are on the list, when you open your doors again, all funds that you process could be held by the Processor. In addition, if you try to get a new Merchant account somewhere else, you may find it extremely hard to get approved. If you are lucky enough to get an account, then your rates could be double or triple what you were paying prior to being on the TMF list.

- 2) **VISA/MC BI-ANNUAL INCREASES** – Every April and October the card associations make changes to the card types and pricing. At this point we have heard that the increase for April 2020 will be postponed, but not eliminated. Most likely the increase will happen in the summer instead of April. It is important to know what this increase is all about and how it affects you. This will be one of the largest increases we have ever seen from the banks that work with the card associations. These changes will affect your bottom line, especially for those that hand-key transactions.

The rates for cards not being swiped are going to go up. A bigger issue is for those transactions that don't meet certain qualifications, penalties will be levied. These penalties are currently about .50%, but penalties will increase to as much as 100%, when the new rates are implemented. Due to the complexity and number of variations, it is impossible to list all the things to look for. If you do hand-keyed transactions, it will be important to review the Visa/MC guidelines.

- 3) **PADDED INCREASES ARE COMING** – Most business owners believe that the processing fees go to the Processor and Visa/MC, however this is not the case. Approximately 85% of the fees you pay go to the issuing banks that supply the cards and credit lines. Visa/MC receive a smaller percentage and the balance goes to your Processor. When the banks raise rates most Processors pass those charges on, but they will also create new increased fees. Due to social distancing and essential business practices, volume is going to decrease for Merchants and Processors. As soon as the Processors net profit decreases, they will increase rates and add hidden fees.

Last year we saw more increases from Processors than ever before. In our opinion, as soon as businesses are back up and running, most Processors will attempt to regain revenue by increasing rates. If you don't monitor your accounts, your overall cost will most likely increase.

Please continue to look for updates from Merchant Advocate. If you need help with any of these possible issues or if you want to reduce your costs, please reach us at:

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