



# How to Know if You Are Being Overcharged on Processing Fees

Merchant Account Insights

A Verisave white paper





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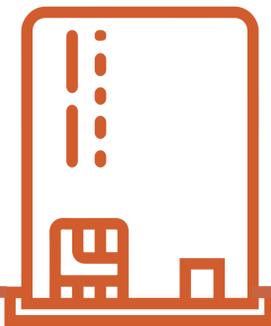
**How to Identify Overcharging**

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## Industry Overview

Credit card processing fees are incredibly complex. US Businesses are overcharged by \$63 billion annually. Nearly **all industries** stand to benefit from a thorough merchant account audit.



- Businesses **overpay by an average of 25-35% on processing fees**, across industries.
- **Business-to-business** transactions tend to involve higher fees (as a result of errors and overcharging) compared with business-to-consumer transactions.
- This is due to numerous complex factors within the industry ... many of which are purposefully designed to confuse, obscure, and misdirect.

### How can you know if you are being overcharged?



## How to Know if You Are Being Overcharged on Processing Fees

Merchant Account Insights



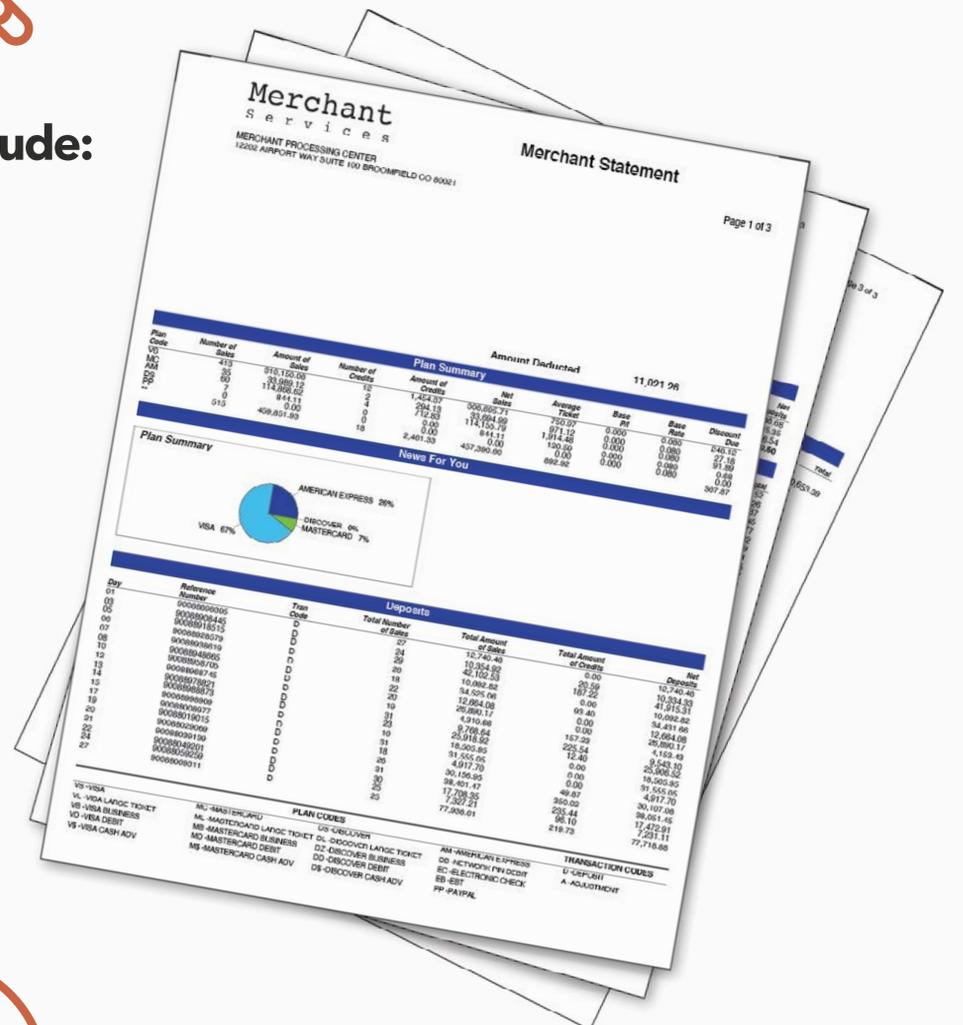
# Understanding Fee Statements

In order to identify any credit card processing fees on which you may be overcharged, you must be familiar with your merchant statement. This statement lists all fees related to your transactions for a given month, and is provided to you by your processor.



## A Merchant Statement will typically include:

- Total transaction volume for the month
- Transactions grouped by card-type used
- Total fees for the same or previous month
- Fees broken down by type
- Sometimes, they will also include the calculations related to each fee type





## Overall Effective Rate

Now that you are familiar with your statement, it is important to calculate and track your overall effective rate month over month. Your overall effective rate is: **total fee amount divided by total transaction volume**. But this can be tricky ...



### How to calculate your effective rate:

- Find the total transaction volume for the month
- Deduct any third-party billing
- Find the fee total related to the same month's transactions
- Divide fee total by transaction total
- Sometimes, fees listed on a statement are related to the previous month's transactions, so be sure to compare the proper numbers
- For B2B, your effective rate should be under 2.8%
- For B2C, your effective rate should be under 2.2%

SUMMARY		An overview of account activity for the statement period. Fees charged for September activity will appear on October statement	
Page 4	<b>Total Amount Submitted</b>		\$3,587,709.83
Page 4	<b>Third Party Transactions</b>		\$956,619.30
Page 4	<b>Chargebacks/Reversals</b>		-\$175.00
Page 4	<b>Adjustments</b>		0.00
Page 5	<b>Fees Charged*</b>		-\$72,809.96
<b>Total Amount Funded to Your Bank</b>			<b>\$2,558,105.57</b>
See page 2 for	09/30/15	MC LICENSE VOLUME FEE .000050 DISC RATE TIMES	\$505,966.71 -25.30
*Fees Charged	09/30/15	MASTERCARD DEBIT SALES DISC .000400 DISC RATE TIMES	\$61,259.90 -24.50
	09/30/15	VISA DEBIT SALES DISCOUNT .000400 DISC RATE TIMES	\$270,528.05 -108.21
		TOTAL SERVICE	-479.14
		TOTAL FINANCIAL TRANSACTIONS FOR OUTLET	-24692.91
<b>GRAND TOTAL FOR CHAIN</b>			<b>-66,346.06</b>

**Otherwise you are likely being overcharged ... and your processor doesn't know how to fix it.**





## Hidden Calculations

All merchant statements will include a fee total. But not all of them show how those fees are calculated. And since some fees are pass-throughs, many processors either do not have the resources or data to provide this level of detail. **Often, this is where errors and overcharges hide.**



### Spotting hidden calculations:

- Does your statement list each fee by type?
- If so, are the fee rates listed?
- Some statements appear to show the calculation, but leave out the rates
- Without this detail, it can be difficult to know if you are paying the proper rate per fee type

Fees		Total
Amount	Description	
		16.52
795.85	DS CNP REWARDS	1.26
48.26	DS Mid Submission Level Rewards	273.37
13,281.28	VS Business Level 2 T1	21.45
1,087.31	VS Purchasing Non Travel Lvl 3	762.77
39,008.39	VS CPS CNP Reward 2	1.82
81.72	Visa Infinite B2B	2,829.19
128,355.05	VS Business Level 2 T4	917.01
43,404.04	VS Signature Preferred B2B	215.15
10,470.19	VS Business Level 2 T2	128.82
6,240.27	VS Business Level 2 T3	275.46
11,145.35	VS Business Card CNP Debit	13.89
715.06	MC Commercial Rate 3 Large Market	52.24
2,533.71	MC World Merit I	603.43
24,121.04	MC World Elite Merit I	29.56
1,320.71	MC World Elite Merit III	5.03
254.56	MC Business Level 1 Data Rate II	0.88
37.00	Commercial Date Rate II DB	75.14
3,335.04	MC Business Level 5 Data Rate II	549.33
28,801.83	AM B2B/Wholesale Tier 2	1,948.40
82,897.69	AM B2B/Wholesale Tier 3	38.02
2,444.35	VS CPS Retail Credit	51.90
2,799.09	VS CPS CNP Credit	36.92
4,224.52	VS CPS Retail Check Debit	0.40
19.47	VS CPS Small Ticket Credit	144.22
8,613.66	VS CPS CNP Debit	0.46
24.37	VS CPS Small Ticket Debit	





## Obscure Coding

Some statements list fee types but apply their own fee codes to each line item. This makes it nearly impossible to identify the nature of each fee.



### Deciphering obscure fee codes:

- If your statements list fee codes instead of descriptions, those codes are typically based on the processor's internal coding system
- Without insider knowledge or a key, it can be next to impossible to identify what each code means
- This prevents you from being able to verify that each fee type is being calculated properly
- Often this is an indication that **you are being overcharged**

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**Service Charge Detail (FIN-0011)**

Category/Description	Action Type	MOP	Interchange Qualification	Fee Schedule
<b>Interchange &amp; Assessment Fees</b>				
Interchange	Sale	VISA	V15X	28824950
Interchange	Sale	VISA	V231	28824950
Interchange	Sale	VISA	V234	28824950
Interchange	Sale	VISA	V237	28824950
Interchange	Sale	VISA	V240	28824950
Interchange	Sale	VISA	V242	28824950
Interchange	Sale	VISA	V271	28824950
Interchange	Sale	VISA	V291	28824950
Interchange	Sale	VISA	V292	28824950
Interchange	Sale	VISA	V315	28824950
Interchange	Sale	VISA	V321	28824950
Interchange	Sale	VISA	V338	28824950





## Transparency at Last?

The clearest merchant statements will always include the rates and calculations showing you what you're actually paying on a fee-by-fee basis. However, there is still some obscurity here. **Even if the rate is shown, it may not be set properly.**



### Fee rates explained:

- For any given credit card transaction, there can be numerous applicable fees
- And for any given merchant account, there are numerous fee-types, each with a set rate
- But if you are being charged 2.67% and a \$0.10 item charge for a specific card-type (such as Visa Infinite or Mastercard World Merit), how do you know that those are the proper rates?
- Identifying these kinds of errors requires deep industry expertise

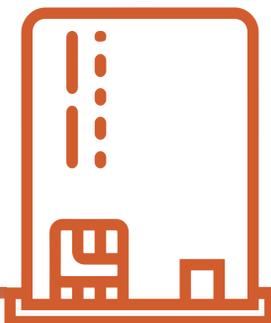
Charges & Fees					
Sales Amount	Items	Rate	Item Charge	Amount Charged*	
\$ 48,955.11	2	2.86%	\$ 0.10	\$ 1,400.32	
\$ 8,195.62	2	1.96%	\$ 0.10	\$ 160.83	
\$ 7,736.47	5	2.65%	\$ 0.10	\$ 205.52	
\$ 1,064.35	1	2.65%	\$ 0.10	\$ 28.31	
\$ 27,832.56	1	2.65%	\$ 0.10	\$ 737.66	
\$ 6,451.58	2	1.80%	\$ 0.10	\$ 116.33	
\$ 4,648.93	2	1.75%	\$ 0.10	\$ 81.55	
\$ 6,718.44	3	1.80%	\$ 0.10	\$ 121.24	
\$ 67,778.46	2	1.20%	\$ 60.00	\$ 933.35	





# How to **Optimize Your Account**

Correcting all of the errors and overcharging within your merchant account requires deep expertise, mountains of industry benchmark data, and a careful approach to making any necessary adjustments. As most accounting teams do not have this expertise in-house, nor do they have the time to add another complex project to their workload, it is recommended that you enlist a merchant account expert to handle this properly.



## **Merchant account audits:**

- No need to switch processors (the work is done entirely on the back end)
- Fees reduced 25-35% on average, and it is not uncommon to correct several million \$s in overcharges
- No expense: the project is entirely gain-share, paid after savings have been realized
- No disruption to current business practices or customer experience
- All of the work is done for you

**Contact Verisave to get started: [hello@verisave.com](mailto:hello@verisave.com)**





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Some of the wonderful clients that we serve.



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