

Credit cards 101

Editor's Note: We are speaking with Peter Gatof of US Data Capture, a recognized expert in credit card processing, to help us understand this process better.

DE: How can we process credit cards?

Gatof: There are numerous ways in which a dental office can process a credit card transaction. The most traditional method is a basic stand-alone, point-of-sale terminal similar to what you see in retail establishments. In addition, US Data Capture (USDC) supports virtually all practice management software products used by dental offices today. These products provide dental offices with a full turnkey solution to run their practices.

DE: I know that there are both credit and debit cards. Is there a difference in how I process these, and is there a difference in the fee that I am charged for a debit versus a credit card?

Gatof: Yes, there is a significant difference. There are two types of what are generally known as “debit cards.”

First are pin-based debit cards. These cards must be processed with the consumer's pin code and are only usable in face-to-face environments, so you will need a pin pad. Transactions are processed directly to the consumer's bank account. The cost is 1% of the sale amount plus \$.15-\$.25 per item.

Second are signature-based debit cards, also known as ATM cards, check cards, and bank cards. These transactions do not require the use of a pin pad. These items are processed directly to the consumer's bank account. They are guided by the Visa/MasterCard interchange system and cost from 1-1.5% plus \$.20-\$.30 per transaction.

DE: In your opinion, do you suggest that I take all the major credit cards, or only MasterCard and Visa?

Gatof: USDC can establish your practice to take all forms of payment. This would include online check acceptance and ACH processing. Many high-end practices will want to accept the American Express card because that is where the highest concentration of usage exists; however, AmEx will cost the practice considerably more than traditional consumer-based Visa and MasterCard products.

DE: When securing a credit card processing company, will I have to sign a contract to use a company for a certain amount of time?

Gatof: Generally, there is a term to the merchant agreement. In most cases, the term is one to three years and can be cancelled by the practice at any time. The catch is the cancellation fee. Cancellation fees should never be more than \$300-\$400 and should not be applicable after the merchant has been processing for two to three years.

DE: On a contract, should I be aware of termination fees or loss profit clause?

Gatof: Yes. If you cannot have your pricing easily explained and reported to you in an easy-to-read schedule of fees, beware.

DE: Should I ask for a fully disclosed quote from a credit card processing company, and will this tell me what my charges per type of credit card will be by percent plus a dollar amount for each charge?

Gatof: Absolutely. In fact, the quote must be a part of the merchant agreement. At USDC, we all “quote” the Schedule A (schedule of rates and fees). The rates you are charged should be easily identified and a part of the merchant agreement.

That's what you will want to point to when the person who signed you up has gone and you are left dealing with the processing company. They will not honor your “quote,” but must honor the Schedule A that is part and parcel to your actual merchant agreement.

DE: When I process a credit card in my office, when will this appear in my bank account?

Gatof: In most instances, you will see the credit post to your account in 48 hours (two business days); however, there are ways we can shorten that to 24 hours depending upon where you bank and the time in which you close out your day.

DE: Other than just processing credit cards, what else can a processor do to help my office run better?

Gatof: Check acceptance and guarantee, online check acceptance, ACH transactions, and gift/loyalty card program.

DE: If I need a processor, why choose one over another other than for rates?

Gatof: Here is my list of prioritized criteria:

1. Service — someone assigned to your account
2. What bank stands behind your processor? Choosing a processor with the right financial institutions is now more important than ever.
3. You need to see your fees and rates outlined in a clear and simple manner.
4. Can your processor provide support for your business as you grow?

Peter Gatof has served as principal of US Data Capture, Inc., since its inception in 1992. He has served as a senior management consultant for Arthur Andersen & Co., and holds an MBA in finance and management systems from the George Washington University and an undergraduate degree in business administration from Emory University. Reach Gatof through www.usdc.com/dental.