

Accepting Credit Cards: Merchant Status For Your Business

A lot of people nowadays, prefer the convenience of purchasing through credit cards. In the United States, nearly 1 in every 3 consumer purchases are paid through credit. It is crucial therefore for companies to readily accept credit payments to avoid losing sales.

No matter what type of dealing you run, whether it is a small shop, online store or mail order business, having a credit card service for customers will surely come in handy towards your business' growth. However, one cannot just accept credit card payments in an instant. In fact, one has to apply to a number of banks for a merchant status to be able to do this. But once your merchant status is established, then your business will be good to go.

How Does Merchant Status Work?

Your company must first partner with one or a few banks to be able to accept credit payments. Before doing so, you must apply to these banks to achieve the merchant status. These banks will work with you to transfer money paid through credit by customers within a day or two of the sale. They will also be responsible for collecting the money from the customer, and in return, your company will pay them a usual commission, ranging from 1.5 percent to 5 percent for each transaction. Other fees may include monthly support and equipment rentals.

What Do Banks Look For In Companies Applying For Merchant Status?

Applying for merchant status may be a process much similar to applying for a loan, as lenders would certainly investigate on your overall financial status. The feasibility of having credit payments used through your business will certainly be looked up. Here are some factors that lenders will need to consider before granting you merchant status:

- Your Business' Type & Length of Time.

Lenders would certainly need to know whether granting your company the status might have higher risks for accepting credit payment. For example, home-based companies may have more difficulty to obtain a merchant status as compared to companies with stores. Aside from this, companies that are already established for some time in contrast to those that are only starting out may be granted status quicker.

- Your Sales Track Record.

Lenders would also be interested to know if your company could really bring in money to the table. If your company has a dependable sales track record, then the easier for you to achieve status.

- Your Credit History.

General credit-worthiness would certainly be given much consideration. Be prepared for your personal or business credit histories to be investigated. In line with this, lenders may also try to check with your previous merchant accounts, about your business' performance as this give feedback on how credit worthy you are.

What Should You Do To Achieve Merchant Status?

To prepare your company for application, you must be ready to have all information about your business as well as your personal credit history at hand. This includes how you obtain the necessary finances for your company and how you run things in the company. Requesting for a credit report for your business before hand will also be a good move.

Most importantly, be sure that you have maintained a favorable business and personal credit score for lenders to consider you faster. Pay your dues on time and avoid mounting up huge debts.

In your small business, establishing a merchant account may seem unnecessary or too much of a hassle at first, however, once you start accepting credit payments in your business, you will surely realize how much it can contribute to improving your company.

It does not only by boosting sales, but it can also provide much more convenience to your customers and even establish your company. More importantly, accepting credit card payments will surely improve cash flow.

In the end, once you will see how your small business can grow by having a certified merchant status, you will realize how all of your efforts were actually worth it.