How to Become a Credit Card Processing Company

Being a sales agent for an ISO can certainly be lucrative. Not only do you usually get upfront commissions, but there are substantial residuals to be had as well. As you recruit merchants, all of that can really add up and in a matter of months or years, you could have quite a handsome passive income stream coming in every month. But what about the fees, though? A substantial portion of you income will invariably go to your ISO, so you'll have to price your services accordingly.

What if you could skip all of that and be the fee-maker yourself, instead of the fee-payer? You know that your ISO is raking in tons of money. Wouldn't it be great to have a portfolio likes theirs and to hire your own sales agents to do the hard work for you? Why not become an ISO yourself?

If it sounds like it would be hard to [become a credit car processor], then you're right to an extent. It is a much more complicated and expensive process than simply being a sales agent. However, if you have the right volume of merchants, it can be extremely lucrative. How do you become an ISO, though? Though the process is complex, it can be broken down into these basic steps:

1) Determine if you can actually do this.

There are tons of costs (which we will cover below), so you need to already have a decent portfolio of merchants before you make the leap to become an ISO. Unless you have some experience in this business already and some cash flow coming in, it's not advisable to try to become a credit card processor right off the bat.

2) Find a processor bank to sponsor you.

You're going to need a sponsor, and this is no easy task. Just as you need to prove to yourself that you will have the means to pay all of the one-time and monthly costs associated with being an ISO, you will need to prove to your sponsoring bank and the credit card companies (Visa and Mastercard, in particular) that you can step up to the plate. This means presenting them with documents that show you have a minimum amount of revenue coming in on a consistent basis, such as bank statements or income tax returns, as well as possibly submitting yourself to a credit check.

3) Consider your contract with the bank carefully.

Don't just go with any processing bank without reading over your contract extremely carefully. Do not gloss over the fine print. There are lots of pitfalls in this area, because you have to remember that banks are trying to make a profit as well, so they will attempt to make their side of the agreement as advantageous as possible. Negotiate if you have to and learn to walk away if that's what you need to do.

Specifically, watch out for hidden “minimum fees.” These are the worst because they can completely drain your residuals, and you can actually end up owing the bank for no good reason. A “minimum fee” is basically when the bank penalizes you for not processing a certain amount of transactions. For example, let's say your minimum is $5,000; if you process less than this, you could be on the hook for the difference out of your own pocket. Some banks even increase their minimum periodically, so your portfolio of merchants would in theory have to keep growing indefinitely or you could stand to lose a substantial amount of money.

Sometimes, the minimum is not in the form of transactions, but rather the bank expects you to recruit a certain amount of new clients per month. If you fail to do this, you could stand to lose all of your residuals! Beware of these kinds of deals. Never sign away your right to your income stream like this if you can help it. Read all of your contracts carefully and refuse anything unreasonable.

Finally, you might want to have a lawyer look at your contract just in case. Sometimes “legalese” is hard to decipher, and you might need some help figuring it out. It might seem like just another expense when you're trying to get started, but it can save you many headaches.

4) Do all of the necessary Association paperwork.

After you find the right processing bank for you, you're going to need to get approved by the Associations. Credit card companies do not like taking on risky associates, so make sure that you have a clean financial background. If you don't, this could cause all sorts of problems. You will probably have to submit your papers of incorporation, your business plan, a list of your contractors, as well as copies of your sales material to the credit card company for evaluation. These companies need to know that you're serious about what you are doing, and they don't associate with just anybody.

5) Pay your fees.

Assuming that you pass all of the checks on your credit and that your paperwork goes through smoothly, you will have to pay substantial money to form your partnership with the credit card companies. The upfront cost will normally be about 10,000 dollars (5,000 dollars per credit card association), so this is not something that a beginner in the business should be considering, unless you have capital to burn.

As you can see, the path to [becoming a credit card processor] can be complex and even somewhat risky, but the potential for huge streams of income is definitely there. Since at least tens of thousands of dollars in capital are needed upfront, you're probably not going to want to take the risk if you don't know what you're doing. A better approach might be to spend some time in the business as a sales agent and get your feet wet, and then decide from there whether or not you think it is prudent to take things to the next level. Being an ISO can be a very rewarding path—you just need a plan and a lot of patience.

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