

CUTTER

What to Expect When Selling Your Payment Processing Portfolio

Selling your payment processing portfolio is a significant decision that requires careful consideration and planning. Whether you are an Independent Sales Organization (ISO) or an agent, understanding the stages of a residual buyout and what to expect can help you navigate the transaction smoothly and maximize your return.

STAGES OF A PORTFOLIO BUYOUT DEAL

1. Initial Meeting—The first step in the buyout process is the introduction between the buyer and the seller. During this meeting, both parties discuss their goals and expectations to determine if there is a good fit.

2. Due Diligence—Due diligence involves a thorough evaluation of the seller's portfolio to assess risk and to ensure that the portfolio falls within the buyer's exposure allowance.

3. Offer—The buyer formulates and presents an offer to the seller which includes the terms of sale and monetary value of the portfolio. Offer structures can vary, but often include an initial payment upon sale followed by trailing earnout payments contingent on meeting specific milestones.

4. Acceptance—If the seller is satisfied with the offer, they accept and sign the purchase agreement.

5. Residual Redirect—The portfolio seller's ISO or upline organization signs a tri-party agreement which facilitates transfer of residual income from the seller to the buyer.

6. Closing and Payment—The final stage of the buyout process is closing, when all parties sign off on agreements. Payment is rendered to the seller as specified in the purchase agreement, typically a closing payment with trailing earnout payments to follow.

DUE DILIGENCE DOCUMENTATION NEEDED

Sellers should be prepared to provide the following documentation:

- 12-24 months of residual statements
- Agent agreement, including any addendums
- General information about the portfolio, including equipment in use, pricing models, merchant types, etc.

DEAL TIMELINE

The timeline for completing a residual buyout can vary significantly, ranging from as little as a week to several months. Having all necessary documentation ready to submit, being available for timely meetings and being transparent about portfolio details not only helps speed things up but builds trust with the buyer. Certain factors can slow down the process, such as the ISO deciding if they will exercise their first right of refusal. New information discovered during due diligence that was not initially disclosed can also lead to delays.

COMMON BUYER REQUESTS AND CONSIDERATIONS

Many buyers may require that the seller begins boarding new business for them as part of the purchase agreement. Be mindful that new business requirements usually are tied to earnout payments and sometimes there are monetary penalties when monthly new business requirements are not met. Buyers may additionally require agent contract portability, meaning the book of business could be moved after the sale, which can potentially result in an estimated 30 percent Merchant Identification Number (MID) loss during conversion.

CUTTER'S APPROACH TO RESIDUAL BUYOUTS

Cutter's sole business is residual buyouts. It's all we do. We specialize in guiding merchant portfolio sellers through the process. Here's what sets us apart:

No Agent Requirements—We do not have agents and will never ask that agents sign new business with us after the deal.

Merchant Service Continuity—We take over merchant servicing after the sale, but the merchants remain with the ISO they were originally boarded on. Nothing changes for merchants except the customer service number they call—they won't even know they've been sold.

Win-Win Deals—We are committed to structuring deals that are beneficial for both parties, ensuring long-term satisfaction and success.

Fast Capital—Cutter's financial stability and long-standing lending relationships allow quick closures and immediate funding of the deals we purchase.

CONCLUSION

Selling your portfolio is a major decision involving several critical stages, from initial meeting to final closing. Understanding what to expect during the buyout process can help you navigate the transaction confidently and efficiently. At Cutter, our experience and dedication to the payment processing industry ensures every deal is handled with the utmost care, resulting in outcomes that benefit all parties involved.

About Cutter

For decades, Cutter has provided quality funding through portfolio purchases. Our view is that quality servicing is non-negotiable, and that post-sale merchant attrition is the result of a portfolio left unmanaged. That's why we typically provide full servicing for the portfolios we purchase.

Cutter's team of expert payments professionals knows how to deliver effective merchant support in tandem with ISOs. Merchant servicing takes time but is necessary to stem attrition to maximize portfolio value on an ongoing basis.



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To learn more about merchant portfolio residual sales or to obtain a buyout valuation, please telephone **+1.615.451.4096** or email **acquisitions@cutterfinancial.com**.

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