Assumptions:

Monthly Volume: $20,000

Average Ticket: $100

Visa Rewards 2 Interchange: 1.95% and $0.10, this falls into the Non-Qualified rate for tiered pricing

Assessments: 0.13%

With these assumptions the cost for all processors is $2.18.

IC rate(transaction amount)+Assessments(transaction amount)+transaction fee=total cost

1.95%($100)+0.13%($100)+$0.10=$2.18

Total Rate and Markup for each pricing model

Interchange Plus

Interchange: 1.95%($100) + $0.10 = 2.05

Assessments: 0.13%($100)= +0.13

Processor’s Fee: 0.30%($100) + $0.10 = +0.40

Total Rate = 2.58

Total Cost = -2.18

Mark Up = 0.40

Note: Remember that Interchange and Assessments are the same for all processors. With Interchange Plus pricing the Total Rate is simply the cost of the transaction plus the processor’s fee. This is the most transparent pricing model available in the industry. Regardless of the type of card used in this example, the mark up would always be $0.40.

Tiered

Non Qualified Rate: 2.99%($100) + $0.25 = 3.24

Total Cost = -2.18

Mark Up = 1.06

Note: Remember that with tiered pricing the type of card is arbitrarily assigned to the Qualified, Mid-Qualified or Non-Qualified bucket. This means that one month the Visa Rewards 2 Card could be in the Mid-Qualified bucket and the next month it is in the Non-Qualified bucket. The processor’s profit is uncertain and dependent upon which card type they choose to place into each bucket.

Flat Rate

Swiped

2.75%($100) = 2.75

Total Cost = -2.18

Mark Up = 0.57

Keyed

3.50%($100) + $0.15 = 3.65

Total Cost = -2.18

Mark Up = 1.47

Note: Remember that rates are generally simple or competitive but not both. In this example the rate seems to be reasonable but let’s assume that the card used is a Regulated Debit Card. The cost would drop from $2.18 to $0.27. This would give this processor a $2.48 swiped mark up and a $3.38 keyed mark up.

Enhanced Billback (EBB)

Qualified Rate: 1.59%($100) + $0.25 = 1.84

Billback: 0.36%($100) = +0.36

Enhancement: 1.59%($100) = + 1.59

Total Rate = 3.79

Total Cost = -2.18

Mark Up = 1.61

Note: This pricing model quotes a low qualified rate that shows up on the monthly statement. After reconciling the low rate with the actual interchange rate, the merchants charged the difference with an “enhancement” fee the following month on the same transaction.

Based on the assumptions above your rate over cost per month would be:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Interchange Plus | Tiered | Flat Rate | | Enhanced Billback (EBB) |
| Swiped | Keyed |
| $80 | $212 | $114 | $294 | $322 |

Take the guess work out of processing rates.

There are hundreds of interchange rates that are dependent upon the type of card being used, how it is processed and industry of the merchant. We used the Visa Rewards 2 card in this example but it could be any card in the market. With a different card the interchange rate would change but the rates charged by all the models would stay the same except for Interchange Plus. Regardless of card type, swiped or keyed or industry the mark up with Interchange Plus will always be the same, negotiated fixed rate.