



Merchant Cost
Consulting

The True Cost of Credit Card Acceptance

Understanding the payment ecosystem, pricing structures,
statement economics and practical ways businesses can reduce cost.

Presented by Mike Cannata



About MCC

- Founded in 2016 by former Fiserv professionals in Boston to address the lack of transparency in enterprise payment processing.
- Cost reduction firm that optimizes existing payment environments without requiring changes to systems, providers, or daily operations.
- Delivers proven results, with an average 30% reduction across clients and approximately 10% savings for competitively priced enterprise organizations.
- Operates on a performance-based engagement model, earning fees only when measurable savings are delivered to ensure a low-risk model.
- Extensive experience serving over 1,800 active clients with more than \$250M in documented annual savings.



Roadmap for today

- 01 How the payment ecosystem works
- 02 The three major layers of merchant cost
- 03 How different pricing models behave
- 04 How to lower and monitor fees
- 05 How to read statement changes
- 06 Surcharges vs. convenience fees in Texas
- 07 Municipal case study
- 08 Questions & discussion

Why this deserves a closer look

Credit card processing is a real operating expense, but the economics are often difficult to see.

The cost is fragmented

Interchange, assessments, processor markup, transaction fees and other charges can be spread across many statement lines.

The pricing can change

Processor increases can drastically change the economics of your municipality over time. Gradual rate hikes, and ancillary fees can slowly eat away at your cities budget, the rate you signed up at is rarely set in stone.

The statement is hard to decode

Finance teams may know the total expense without knowing which components are fixed, negotiable or newly inflated.

Today's goal: understand what you are paying and where you have leverage.

Understanding the payments ecosystem

There is a lot happening behind the scenes when a customer uses a credit or debit card.



Think of the ecosystem as a series of participants moving payment data, authorization and settlement from the cardholder to the merchant.

Why it matters

Every layer helps explain where a fee originates.

Why it gets confusing

Different vendors can sit between the merchant and network.

Why transparency matters

You need to know what is actually being marked up.



Card issuer & card network

CARD ISSUER

The issuing bank or entity creates the card used by the customer.

Examples: Bank of America, Chase and Capital One.

The issuer ultimately connects the customer's account to the card transaction.

CARD NETWORK

The network is the infrastructure that moves transaction information between participants.

Major networks include Visa, Mastercard, Discover and American Express.

A useful mental model: the network is the “telephone wire” moving transaction information around the ecosystem.



Merchant & acquirer

MERCHANT

The business accepting the card transaction.

Cities, Towns, Restaurants, Hotels, Retail Stores, Medical Practices, Distributors etc.

ACQUIRER

The acquiring bank is the merchant's banking relationship in the processing ecosystem.

It collects transaction data when a customer buys a good or service and participates in settlement.

Municipal takeaway: the bank relationship and payment-processing relationship are related, but they are not necessarily the same thing.

Processor, ISO and merchant account provider

This is where the industry becomes more complicated, and where pricing can become difficult to navigate.

PROCESSOR

Provides the infrastructure and services used to process transactions.

Example: Fiserv, Global Payments, Worldpay etc.

ISO / MAP

Independent sales organizations and merchant account providers can sell processing services and may sit between the merchant and processor.

Example: ETS, Nuvei, Clearent, Versa, etc

THE PRICING QUESTION

Who is adding the markup? What is negotiable? What is simply being passed through?

This layer can be responsible for much of the confusion merchants experience when trying to compare offers.



Gateways & payment facilitators

GATEWAYS

Primarily support online payment flows.

They allow a customer to select “Pay Now,” collect card information, encrypt the data and send an authorization request through the processing ecosystem.

Example: Paymentus, Point & Pay, Tyler Tech, etc.

PAYMENT FACILITATORS

Examples such as Stripe, PayPal and Braintree.

A PayFac can simplify onboarding and payment acceptance by sitting between merchants and the broader processing infrastructure.

The ecosystem can look different depending on how a municipality accepts payments.

The three layers of merchant cost

INTERCHANGE

01

Underlying card cost

Driven by card type and transaction characteristics.

ASSESSMENTS

02

Network-level cost

Associated with the card networks and their programs.

MARKUP

03

Processor / intermediary pricing

Percentage, transaction and other charges added above underlying costs.

The key question: which costs are pass-through and which costs are being priced by the provider?



Interchange - Credit Vs Debit

Interchange is the underlying cost associated with a card transaction, not the processor's profit.

WHY CARD TYPE MATTERS

Debit cards carry the lowest associated interchange rates. Rewards and premium cards can carry higher underlying costs based on the card, reward program, and transaction type.

That means two merchants with the same processor and same markups can experience different effective rates based on card mix and transaction characteristics.

Do not confuse the underlying interchange cost with the merchant's all-in processing rate.

Interchange - Credit Cards

Fee Type	# of Trans	Total \$ Amount	Discount % Rate	DPI	Transaction Fee	Total Fee
Visa Pass-thru Interchange & Fees						
Transaction Integrity Fee 13 txn @ \$0.100	1	\$0.00		-	-	\$1.30
Visa Commercial Solutions Fee	18	\$1,031.05	0.0100	-	-	\$0.11
Visa Digital Commerce Service Fee	51	\$6,243.95	0.0075	-	-	\$0.65
Visa Issuer Settlement Fee	438	\$22,370.62		-	\$0.0013	\$0.58
Visa Zero Floor Limit Fee 2 txn @ \$0.200	1	\$0.00		-	-	\$0.40
VS Assessment Fee	271	\$12,072.53	0.1300	-	-	\$15.57
VS Assessment Fee	162	\$10,720.89	0.1400	-	-	\$15.12
VS CR Bus Tier 1 Retail	1	\$43.29	1.9000	\$0.10	-	\$0.92
VS CR Bus Tier 2 Retail	1	\$46.54	2.0500	\$0.10	-	\$1.05
VS CR Bus Tier 3 Retail	1	\$5.00	2.1000	\$0.10	-	\$0.21
VS CR Bus Tier 4 Retail	2	\$43.41	2.2000	\$0.10	-	\$1.16
VS CR Non-Qualified	4	\$592.26	3.1500	\$0.10	-	\$19.05
VS CR Small Merchant PD1 Sign Pref	8	\$608.22	2.1800	\$0.10	-	\$14.07
VS CR Small Merchant PD1 Signature	19	\$337.06	1.7300	\$0.10	-	\$7.72
VS CR Small Merchant PD1 Trad Rwds	1	\$75.00	1.7300	\$0.10	-	\$1.39
VS CR Small Merchant PD1 Traditional	3	\$799.84	1.5800	\$0.10	-	\$12.94
VS CR Small Merchant PD2 Infinite SQ	5	\$704.25	1.8800	\$0.10	-	\$13.76
VS CR Small Merchant PD2 Sign Pref	76	\$5,259.59	1.8800	\$0.10	-	\$106.52
VS CR Small Merchant PD2 Signature	30	\$1,586.86	1.4300	\$0.10	-	\$25.68
VS CR Small Merchant PD2 Trad Rwds	5	\$269.41	1.4300	\$0.10	-	\$4.36
VS CR Small Merchant PD2 Traditional	6	\$350.16	1.2900	\$0.10	-	\$5.10
VS CR US CV-Cnsr Cr	3	(\$201.80)	1.7600	-	-	-\$3.55



Interchange - Debit Cards

VS DB CPS/Card Not Present	4	\$52.04	1.6500	\$0.15	-	\$1.45
VS DB CPS/Card Not Present Prepaid	10	\$436.30	1.7500	\$0.20	-	\$9.63
VS DB CPS/Retail	56	\$4,021.22	0.8000	\$0.15	-	\$40.59
VS DB CPS/Retail Prepaid	27	\$1,157.17	1.1500	\$0.15	-	\$17.36
VS DB CPS/Small Ticket	31	\$233.12	1.5500	\$0.04	-	\$4.86
VS DB CPS/Small Tkt Consumer Prepaid	22	\$144.52	1.6000	\$0.05	-	\$3.39
VS DB CPS/Sml Tkt Cnsmr DB&Prpd Reg	108	\$834.39	0.0500	\$0.22	-	\$24.11
VS DB DB Business Card - Retail	5	\$243.54	1.7000	\$0.10	-	\$4.65
VS DB EIRF Prepaid	1	\$150.00	1.8000	\$0.20	-	\$2.90
VS DB US Regulated	166	\$7,948.86	0.0500	\$0.22	-	\$40.51
VS FANF CNP and/or Fast Food 2 Locs	1	\$0.00	-	-	-	\$3.62
VS FANF High Volume CP 2 Locs	1	\$0.00	-	-	-	\$2.90
VS Financial Transaction Fee	551	\$0.00	-	-	\$0.0025	\$1.37
VS Network Acquirer Proc Fee Sig Debit Adj	430	\$15,221.16	-	-	\$0.0040	-\$1.72
VS Network Acquiring Processing Fee	561	\$0.00	-	-	\$0.0195	\$10.94
VS Nvr Apprv Reattmpt - Dom 4 txn @ \$0.10	1	\$0.00	-	-	-	\$0.40
Subtotal						\$287.04

Assessments

Assessments are network-level fees that appear alongside other processing costs.

VISA / MASTERCARD / DISCOVER

Network assessments are part of the underlying cost structure and are generally not the same thing as processor markup.

WHY THEY MATTER

A statement may show many individual assessment lines. Grouping them correctly helps determine what is actually negotiable.

WHAT TO LOOK FOR

Compare the same fee categories across months. Changes can reveal processor increases or pricing adjustments.

The goal is classification: know what the line item represents before deciding whether it can be changed.



Markup costs

Markup is where the merchant should pay especially close attention.

PERCENTAGE MARKUP

A percentage added above underlying card costs.

PER-TRANSACTION FEES

A fixed amount charged each time a transaction is processed.

OTHER CHARGES

Monthly, statement, batch, PCI, gateway or other fees can also affect the effective rate.

Markup costs are the area where review and negotiation can create meaningful opportunity.



Markup costs

GP Processing Fees

American Express Discount Fee	26	\$1,227.35	5.0000	-	-	\$61.38
American Express Transaction Fee	27	\$0.00		-	\$0.2500	\$6.75
Batch Settlement Fee	21	\$0.00		-	\$0.3500	\$7.35
Debit Transaction Fee	324	\$0.00		-	\$0.3000	\$97.20
Discover Transaction Fee	35	\$0.00		-	\$0.2500	\$8.75
DS Discount Fee	30	\$2,805.55	4.1500	-	-	\$116.43
MC Discount Fee	404	\$19,637.95	4.1500	-	-	\$814.98
MC Transaction Fee	459	\$0.00		-	\$0.2500	\$114.75
Monthly vs Daily Discount Cost	893	\$46,464.27	0.0500	-	-	\$23.24
Non-EMV Assessment Fee	104	\$4,108.87	1.0000	-	-	\$41.09
Service & Regulatory Mandate	1	\$0.00		-	-	\$33.50
Visa Transaction Fee	468	\$0.00		-	\$0.2500	\$117.00
VS Discount Fee	433	\$22,793.42	4.1500	-	-	\$945.93
Subtotal						\$2,388.35

Totals

\$3,395.56

Tiered & flat-rate pricing

TIERED / BUNDLED

Qualified: 1.75%
Mid-qualified: 2.25%
Non-qualified: 3.40%

Examples:

Qualified Transaction - Standard, non-rewards consumer credit cards, standard in-person debit card swipes or chip insertions, transactions that meet all required authorization and settlement data criteria on time

Mid-Qualified - Basic consumer rewards credit cards, manually keyed-in retail transactions where the card is not physically present, or basic phone or mail-order payments with standard processing information

Non-Qualified - High-end or generous points/cash-back rewards credit cards, corporate, business, or commercial cards, international cards issued outside the home country, online, e-commerce, or card-not-present transactions lacking correct settlement data or proper address verification (AVS)

FLAT RATE

Source example: a processor charges 2.75% regardless of the underlying interchange cost.

The simplicity is attractive, but the spread between underlying cost and merchant price can be substantial.

Compare pricing models on economics, not simplicity alone.



Interchange-plus

INTERCHANGE (BASE COST)

The underlying wholesale cost set directly by the card networks (Visa, Mastercard, Discover, etc.).

These rates are industry-standard across all credit card processors and represent the absolute base cost of processing a transaction.

PROCESSOR MARKUP

Example: + 0.50% + \$0.10 / transaction.

The actual fee charged by your processor on top of interchange.

Under the interchange-plus pricing model, the underlying wholesale cost and the processor markup are clearly split, making comparison easy.

Transparency in the pricing model makes comparison easier.



Five ways to lower merchant fees

- 01 Check for rate increases** Confirm whether processing rates or fees have changed.
- 02 Evaluate the contract** Know the remaining term and renewal obligations.
- 03 Do your homework** Understand the pricing model and compare the real economics.
- 04 Push back** Ask for better pricing and document the request.
- 05 Monitor monthly** Do not assume negotiated savings will stay in place forever.

Key Takeaway: Staying one step ahead of increases rather than reacting after the money is already gone.

What should you be paying all-in?

~2.50-3% is a general benchmark for a typical business, depending on several factors.

≈ 2.50-3%



This is a benchmark, not a universal municipal target.

Card mix

Debit, rewards, commercial and premium cards can change the economics.

Payment channel

In-person and online transactions can price differently.

Pricing structure

Tiered, flat, subscription and interchange-plus models behave differently.

Benchmark the effective rate after understanding the underlying mix.

Statement review: where increases hide

Understanding Fees



March

				Inflated Rates		
GP FEE-VS INTL SVC ASSESS-BASE	141	32,061.02	227.38	.8900	.0000	285.34
GP FEE-VISA INTL ACQUIRER	141	32,061.02	227.38	.8900	.0000	285.34
GP FEE - MC ASSESSMENTS	744	122,228.34	164.29	.1200	.0000	146.67
GP FEE-MC CROSS BDR DOMESTIC	110	24,717.38	224.70	.8900	.0000	219.98
GP FEE-MC ACQ PROGRAM SUPPORT	110	24,717.38	224.70	1.2500	.0000	308.97

May

				Negotiated Rates		
GP FEE-VS INTL SVC ASSESS-BASE	157	43,452.96	276.77	.8000	.0000	347.62
GP FEE-VISA INTL ACQUIRER	157	43,452.96	276.77	.4500	.0000	195.54
GP FEE - MC ASSESSMENTS	922	167,082.82	181.22	.1200	.0000	200.50
GP FEE-MC CROSS BDR DOMESTIC	126	29,347.97	232.92	.6000	.0000	176.09
GP FEE-MC ACQ PROGRAM SUPPORT	126	29,347.97	232.92	.8500	.0000	249.46

December

				Processor Increase		
GP FEE-VS INTL SVC ASSESS-BASE	126	28,454.45	225.83	.8900	.0000	253.24
GP FEE-VISA INTL ACQUIRER	126	28,454.45	225.83	.8900	.0000	253.24
GP FEE - MC ASSESSMENTS	847	138,922.73	164.02	.1900	.0000	263.95
GP FEE-MC CROSS BDR DOMESTIC	115	24,348.25	211.72	.8900	.0000	216.70
GP FEE-MC ACQ PROGRAM SUPPORT	115	24,348.25	211.72	.8900	.0000	216.70

COMPARE MONTH TO MONTH

Look for changes in the same fee categories, not just changes in total dollars.

SEPARATE VOLUME FROM PRICE

A higher fee can be caused by more volume, a higher rate, or both.

WATCH FOR INCREASES

The source statement example highlights inflated rates, negotiated rates and a processor increase.

Statement review: where increases hide

Hierarchy:

Merchant ID:

DBA Name:

Total Pages 05

Your Resources for Help
1-800-774-6462

Information Only

Your account has been debited by \$2,989.01

Important Information

Our goal is to provide world-class products and service that drive your success including investing in new technologies and maintaining high levels of service. To this end and pursuant to your merchant agreement, effective August 2026, your discount rates will be increased by 2.25%.

Please review your merchant statement carefully for any changes. If you object to this fee, you may terminate your merchant agreement without penalty by providing written notice as per your agreement within 30 days of the date of the merchant statement containing these fees. As a reminder, please note that you must provide notice of any errors, improper charges or other issues with your statement within 90 days of the date of the statement.

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Surcharge vs. convenience fee

CONVENIENCE FEE

A flat fee associated with choosing an alternative payment channel, such as online or phone instead of in-person.

Permissible when properly disclosed and applied consistently.

SURCHARGE

A percentage added to offset the cost of credit-card acceptance.

Tennessee allows credit surcharges subject to stated limitations, while debit fees are prohibited for retail businesses. However, Tennessee law exempts government entities, allowing a surcharge to be pass through to the end user at a maximum of 4%

Important: the fee type matters. Do not treat a convenience fee and a surcharge as interchangeable.

Municipal case study: City of Anna, Texas

The constraint: save money without changing the operating environment.

THE PROBLEM

Using one of the more popular ERP systems in the municipality space, integrated with a commonly know large processor, Anna, Texas was tied to their current setup but was hindered by increasing costs year to year. Anna did not want to change processors because of the direct integration and did not have the bandwidth internally to keep up with the constantly changing landscape.

THE RESOLUTION

MCC identified where the leaks were coming from, brought industry expertise and data benchmarking to the negotiations table, and renegotiated fees with Anna's processor, the entire process taking 2-3 weeks total. Day-to-day operations did not change.

THE RESULT

\$80-90K in monthly savings

\$1M projected annual savings

MCC then monitors the account to identify future increases and pursue corrections/refunds for overages.



Questions & Discussion

What is hiding in your processing statement? Scan the QR code to find out!

Mike Cannata

Merchant Cost Consulting

merchantcostconsulting.com



**Understand the cost.
Find the leverage.
Protect the savings.**