

PCBancard Training — Day 2 Notes

September 15, 2026 | Credit Card Processing 101 | Hosted by Jason Reed

OVERVIEW

Day 2 focused entirely on traditional processing — where merchant fees come from, who collects them, and what PCBancard can and cannot control. Understanding interchange is the foundation of everything in this industry. Tomorrow covers surcharging and dual pricing.

THE 4 FEE CATEGORIES (TRADITIONAL PROCESSING)

Every merchant paying credit card fees pays them in four buckets:

- **1. Interchange Fees** — ~90–95% of total fees. Paid to the card-issuing bank (Chase, Bank of America, etc.). Cannot be lowered by any processor. Set by the Federal Reserve, updated every April and October.
- **2. Card Network Fees** — Paid to Visa, Mastercard, Discover, AmEx. Includes dues & assessments, NABU fees, kilobyte fees, fixed network fees, trans integrity fees — names change constantly. Cannot be lowered by any processor.
- **3. Processing Fee** — What PCBancard charges to process the card. This is our lane. Expressed as basis points over interchange (e.g., 60 bps = 0.60%) plus a per-transaction fee. This stays stable regardless of what kind of card is accepted.
- **4. Miscellaneous Fees** — Junk fees processors add to boost revenue: technology fees, safe gateway fees, merchant comp fees, non-PCI compliance fees, batch header fees, statement fees. Some merchants pay \$300–\$700/month in pure BS fees with made-up names. PCBancard can eliminate most or all of these.

Bottom line: PCBancard controls the processing fee and miscellaneous fees. Interchange and card network fees are pass-through — every processor pays them, no exceptions.

INTERCHANGE — THE DEEP DIVE

Interchange is the single most important concept in this industry — and the one merchants understand least. Every card in the market has a published interchange rate: a percentage AND a per-transaction fee. In theory, every merchant should pay the exact same rate to accept the same card. (Some processors pad these rates — PCBancard does not.)

Why do different cards have different interchange rates? Two reasons:

- **1. Rewards attached to the card.** The more rewards a card offers consumers (cash back, miles, points), the more the merchant pays to accept it. Banks don't fund rewards out of their own pocket — they collect higher interchange from the merchant. A basic retail card might be 1.40% + \$0.10; a premium corporate rewards card could be 2.95% + \$0.10. The merchant is paying for your points.
- **2. Risk of the transaction.** Two risk dimensions: (a) Debit vs. credit — debit is lower risk because funds are pulled immediately. (b) Card present vs. card not present (CNP) — a card keyed in over the phone carries more fraud risk and costs ~30 additional basis points vs. a tapped/swiped card. Same card, different rate.

KEY INTERCHANGE RATE TO MEMORIZE

CPS Regulated Debit = 0.05% + \$0.22 per transaction.

This is ~90% of all debit cards in the market (issued by banks with over \$10B in assets). It's the lowest percentage in the industry — but has the highest transaction fee at \$0.22. Important nuance: for small-ticket merchants (convenience stores, liquor stores) doing thousands of low-dollar transactions per month, that \$0.22 per swipe adds

up fast and often makes their effective rate *higher* than a credit-heavy merchant. This is why Square — which charges 2.79% flat on everything including debit — is a terrible deal for debit-heavy merchants.

Note: Tap-to-pay (NFC) is still a card-present transaction. Consumer's credit score has no bearing on interchange rates.

WHY FEES KEEP GOING UP

Interchange has increased at least twice per year for the last 9 years. Two reasons: (1) more consumer fraud, so banks want to protect themselves; and (2) consumer rewards keep getting richer — Discover is now launching a 6% cash back card, which will drive merchant interchange higher. Merchants are essentially funding the rewards programs of the consumers shopping at their stores.

THE 3% RULE

If a merchant has decent rates, their **effective rate** (total fees ÷ total volume) should be around **3%**.

- Use this in the field as a quick estimator. If a merchant says they're processing \$100K/month, estimate ~\$3,000/month in fees. If they say they're paying \$5,000/month, estimate ~\$150K in volume.
- When a merchant says 'I'm only paying 1%' — that is almost certainly wrong. Very rarely will you find a merchant paying under 2% when all fees are factored in. Merchants often repeat what a salesperson told them years ago, not what they're actually paying. Pull the statement and do the math.

WHAT PCBANCARD CONTROLS ON TRADITIONAL PROCESSING

On traditional processing, PCBancard can save merchants money by:

- **Lowering the processing rate (basis points over interchange).** Typical reps are at 30–80 bps over interchange. PCBancard's cost is ~2 bps, so there is significant margin room to save the merchant while staying profitable.
- **Lowering the per-transaction fee.** Watch for processors double-dipping with both an authorization fee and a transaction fee.
- **Eliminating miscellaneous junk fees.** Non-PCI compliance fees, merchant comp fees, tech fees, batch fees — most of these can be zeroed out.

Example from class: A merchant was paying 25 bps over interchange + \$0.14/transaction + a non-PCI fee + a merchant comp fee (\$49 + \$24.95). Jason lowered them to 18 bps + \$0.08/transaction and eliminated both junk fees. Result: ~\$212/month saved, ~\$2,500/year — pure profit back into the merchant's pocket. PCBancard's cost on the account was 2 bps, leaving 16 bps of margin.

\$1,000 GUARANTEE

PCBancard offers a \$1,000 guarantee on traditional processing, apples-to-apples. If Jason cannot save a merchant money compared to their current processor on the same processing type, PCBancard cuts them a \$1,000 check. Jason has never had to cut one.

GOOD / BETTER / BEST — THE THREE PROPOSALS

Every statement you send Jason results in three proposals — one for each option. The merchant chooses what works for their business. Never hard-sell one option.

- **GOOD — Traditional Processing:** Merchant continues paying all fees. PCBancard lowers the processing rate and eliminates junk fees. In the class example: ~\$2,500/year saved. Never walk away from a traditional deal — it's still residual income and a foot in the door.
- **BETTER — Surcharging:** Merchant passes a 3% surcharge on credit cards only. Debit cards, cash, and checks are unaffected. In the class example: ~\$12,000/year saved. More profit for the rep; profitability varies by account mix. (Note: surcharge caps vary by state — Illinois still at 3%, NY at 2%.)

- **BEST — Dual Pricing:** Merchant offers a cash price and a card price (like the gas station model). Merchant pays one flat fee of \$64.95/month — no variable fees. In the class example: ~\$27,000/year saved. Rep earns 1% of monthly volume. Only ~5 companies nationally offer compliant dual pricing. The 3.99% spread between cash and card price covers interchange, card network fees, and leaves ~1.3% profit to split between PCBancard and the rep.

Market context: Currently 17% of businesses are doing some form of surcharging, dual pricing, or cash discount. By end of 2027, that number is projected to exceed 40%. The opportunity is massive — and most of your competition can't do compliant dual pricing.

EARLY TERMINATION FEES

Most merchants today are NOT locked in a contract (processors removed them so they can raise rates freely). When a merchant IS in a contract, ETFs are typically \$250–\$350.

- On traditional processing: PCBancard may pay the ETF if the savings justify it.
- On surcharging or dual pricing: Jason has never once had to pay an ETF — and merchants almost never ask. When a merchant is saving \$1,000+/month, a \$300 ETF pays itself back in 3 days to a week. Frame it as: 'Pay \$300 today, earn \$1,000 every month.' No one says no.

POINT-OF-SALE (POS) INTEGRATION

A common objection: 'I have a POS system and don't want to replace it.'

- **PCBancard can integrate with any POS system IF the software company allows it.** The POS software company must add PCBancard's processing via a VAR sheet. In practice, most refuse — either because they're getting kickbacks from another processor, or their technology doesn't support dual pricing displays yet.
- **The solution: a standalone terminal next to the POS.** Merchant keeps using their POS for inventory, kitchen orders, time management — everything they bought it for. Credit cards get run on PCBancard's terminal instead. The POS uses a 'tender button' (sometimes called a dummy button) to record the sale without opening the cash drawer. Reports still match: tender on the POS = card swipes on the terminal.
- **Upsides:** Reporting stays clean; merchant keeps their existing system; no retraining required. **Downsides:** High-volume/fast-ticket merchants (convenience stores) may resist the extra step of keying the amount. Address it directly: is saving \$27K/year worth one extra second per transaction?
- **POS sales:** Nuclear (Hot Sauce) POS is PCBancard's go-to. Cost to PCBancard: \$600. Retail: ~\$1,800. Reps can sell for ~\$1,000 and pocket the margin. Free placement is also available. Once a POS is placed, expect that merchant to stay 15+ years — switching is a huge operational burden.

GATEWAYS

A gateway (Authorize.net, FluidPay, NMI) is separate from the payment processor. If a merchant uses Authorize.net, they pay their gateway fee to Authorize.net — but PCBancard still processes the transactions and can still lower their processing fees. We can replace Authorize.net with FluidPay (now the largest gateway in the US, 3D Secure) or work alongside it. Gateway choice doesn't change PCBancard's ability to save them money.

DAY 2 HOMEWORK

- Complete university modules 4.2 and 5.2.
 - Complete the James Shepherd dual pricing training (link sent by Emma — different portal, separate login). Highly recommended this week. It covers the history of credit card processing and the case for dual pricing from a different angle.
 - Tomorrow (Day 3): Surcharging and Dual Pricing — the Better and Best options.
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