WHAT YOUR PAYMENT PROCESSOR DOESN'T WANT YOU TO KNOW

The insider guide to interchange plus pricing,
dual pricing, and eliminating processing fees for good.

Written for business owners processing $500K+ annually in card volume.
If you are paying any processing fees right now, this book is for you.

TABLE OF CONTENTS

This guide is provided free by Fairway Payment Solutions. No fluff, no upsell — just the information your processor hopes you never find.

CHAPTER 01

The Fee Game Nobody Explains

Every time a customer swipes, taps, or inserts their card at your register, a small percentage of that sale quietly leaves your pocket. Not to you. Not to your bank. To your payment processor.

For most business owners, processing fees are like a utility bill — you pay them because you have to, you do not fully understand them, and nobody in the industry is motivated to help you pay less.

That is not an accident. Payment processors make billions of dollars a year on the difference between what they charge you and what they actually pay the card networks. The more confused you are, the more money they make.

This guide is designed to end that confusion. By the time you finish reading it, you will understand exactly how processing fees work, how to spot whether you are being overcharged, and what options exist to reduce — or completely eliminate — your fees.

How Much Are You Actually Paying?

A business processing $1,000,000 annually at a blended rate of 2.9% (Square's standard flat rate) pays $29,000 per year in processing fees. At $2M in volume that's $58,000. Most business owners have no idea their fees are this high because the cost is spread across thousands of small transactions.

CHAPTER 02

The 3 Pricing Models — And Why Only One Is Honest

There are three main ways payment processors charge for their services. Understanding the difference between them is the single most important thing you can do to protect your business from overpaying.

MODEL 1: FLAT RATE PRICING

This is what Square, Stripe, and PayPal use. You pay one fixed percentage on every transaction — typically 2.6% to 2.9% plus a per-transaction fee. Simple. But not affordable at volume.

The actual cost of processing a credit card — what the processor pays the card networks — is called the interchange rate. For a typical Visa credit card it ranges from 1.15% to 2.4%. Square charges you 2.6% regardless. The difference — often 0.5% to 1.4% — is pure margin for the processor.

At $1M in annual volume, that hidden margin costs you thousands of dollars extra per year compared to a transparent pricing model.

MODEL 2: TIERED PRICING

Tiered pricing sorts transactions into buckets called "qualified," "mid-qualified," and "non-qualified," each with a different rate. The problem: processors decide which bucket your transactions fall into. Rewards cards, business cards, and keyed-in transactions almost always end up in the most expensive tier. What was advertised as a "1.69% qualified rate" quickly becomes a blended rate of 2.5% or higher.

Tiered pricing benefits one party: the processor. Avoid it.

MODEL 3: INTERCHANGE PLUS PRICING

Interchange plus — also called "cost plus" — is the only transparent pricing model in the industry. You pay the actual interchange rate set by Visa and Mastercard — which is fixed and non-negotiable — plus a small, disclosed markup from your processor.

Example: Interchange Plus 0.25% + $0.10 per transaction means you pay exactly what Visa charges, plus a small markup and a per-transaction fee. No hidden margin. No games. The markup varies by industry and processing volume, but it is always disclosed upfront.

The Question Your Processor Hopes You Never Ask

"Are you quoting me interchange plus pricing?" If the answer is no — or if they cannot clearly explain what their markup is on top of interchange — that is a red flag. Any reputable processor should offer interchange plus on request.

CHAPTER 03

Interchange Plus — The Model Processors Hide

If interchange plus is the most transparent and typically the most affordable model, why do processors not lead with it? Because most of them make more money when you are on flat rate or tiered pricing.

Interchange is set by Visa, Mastercard, Discover, and Amex. It is not negotiable and is the same for every processor. What IS negotiable is the markup a processor charges on top of interchange — and that is exactly where most of the industry's profits are hidden.

The right markup for your business depends on your industry, your monthly volume, and your transaction mix. A restaurant processing $2M a year has a very different cost profile than a medical practice processing $500K. Any processor worth working with will analyze your actual statement and show you exactly what your interchange plus rate would be — before you sign anything.

WHAT INTERCHANGE RATES ACTUALLY LOOK LIKE

Card Type	Typical Interchange Rate
Visa/MC — Basic Debit	0.05% + $0.22
Visa/MC — Basic Credit	1.51% + $0.10
Visa Rewards Credit	1.65% + $0.10
Visa Signature Preferred	2.10% + $0.10
Amex — Retail	1.58% + $0.10
Business/Corporate Cards	2.20% - 2.65% + fees

Source: Visa/Mastercard published interchange schedules. Rates vary by card type, transaction method, and merchant category code.

Under flat rate pricing you pay the same percentage on all of these regardless of type. Under interchange plus, you pay the actual rate for each card type plus a disclosed markup. For most businesses with a healthy mix of debit and basic credit transactions, the blended rate under interchange plus is significantly lower than flat rate.

The Right Question to Ask

"What is your interchange plus markup for a business like mine?" A reputable processor will give you a specific answer based on your volume and industry. If they cannot or will not answer this question directly — walk away.

CHAPTER 04

How to Read Your Processing Statement in 5 Minutes

Most business owners glance at their processing statement, wince at the total, and file it away. Here is how to actually understand what you are paying — and where the money is going.

STEP 1: FIND YOUR EFFECTIVE RATE

Divide your total processing fees by your total processing volume. Example: $2,400 in fees on $80,000 in volume = 3.0% effective rate. Your effective rate is the single most useful number for comparing processors and understanding whether you are overpaying.

STEP 2: LOOK FOR THESE LINE ITEMS

Line Item	What It Means	Red Flag
Monthly Service Fee	Flat charge for having the account	**Above $15/mo**
PCI Non-Compliance Fee	Penalty for not completing PCI survey	**Any amount**
Statement Fee	Charge for sending you a statement	**Anything above $0**
Batch Fee	Fee for closing daily batch	**Above $0.25**
Non-Qualified Surcharge	Extra on rewards/business cards	**Any large amount**
Annual Fee	Yearly account maintenance	**Above $99**
Early Termination Fee	Penalty for canceling	**Any % of volume**

STEP 3: COMPARE YOUR EFFECTIVE RATE TO INTERCHANGE

The interchange rates in Chapter 3 represent the baseline cost — what every processor pays the card networks. The difference between your effective rate and a fair interchange plus rate is approximately what your processor is keeping as margin. The only way to know your specific number is to have someone run your actual statement.

CHAPTER 05

Dual Pricing — How to Eliminate Processing Fees Completely

Everything so far has been about reducing your processing fees. Dual pricing eliminates them entirely. This is the model that most processors will never mention — because it removes their revenue stream from your business completely.

WHAT IS DUAL PRICING?

Dual pricing displays two prices for every item or service: a cash price and a card price. The card price is slightly higher to offset the processing fee. When customers pay cash they pay less. When they pay by card they pay the card price. The processing fee is effectively passed to the customer choosing to use a card.

The result for you: your processing fees drop to zero. Every dollar in card revenue stays in your pocket.

IS DUAL PRICING LEGAL?

Yes — federally since the Dodd-Frank Act of 2010. As long as prices are clearly disclosed to customers before the transaction, dual pricing is fully legal and compliant in all 50 states.

DOES DUAL PRICING HURT SALES?

In most cases, no — not meaningfully. Gas stations have displayed dual prices for decades. Modern consumers understand that card convenience has a cost. When the difference is presented professionally, the vast majority simply pay the card price without friction.

The Real Math on Dual Pricing

A restaurant processing $1,500,000 annually at a 2.8% effective rate pays $42,000 per year in processing fees. Under dual pricing, that number becomes $0. Even if a portion of customers shift to cash, the fee elimination typically far outweighs any revenue impact. Actual results vary by business type and customer mix.

CHAPTER 06

Why Square and Stripe Cost You at Volume

Square and Stripe are excellent for startups and low-volume businesses. But for businesses processing $500K or more annually, they are among the most expensive options available.

Square charges 2.6% + $0.10 for card-present transactions. The actual interchange cost on a basic debit card transaction is approximately 0.05% + $0.22. The difference goes directly to Square. At $1M in annual volume that adds up to tens of thousands of dollars per year going to Square — not to Visa or Mastercard, just to Square.

	Square (Flat Rate)	Interchange Plus	Dual Pricing
$1M Annual Volume	$26,000+/yr	Significantly less*	**$0/yr**
$2M Annual Volume	$52,000+/yr	Significantly less*	**$0/yr**
$5M Annual Volume	$130,000+/yr	Significantly less*	**$0/yr**
Pricing Transparency	Low	High	**Complete**
Equipment	Purchase separately	At cost, you own it	**At cost, you own it**
Contract	Month to month	No long-term required	**No long-term required**

**Interchange plus savings vary by business type, volume, and transaction mix. A Cost Reduction Analysis on your actual statement gives you the real number.*

CHAPTER 07

Equipment Fees and Lease Traps

Even when a business owner understands their processing rate and wants to switch, one thing often stops them: the cost of new equipment. This is an intentional barrier — and processors use it to keep you locked in longer than you should be.

THE EQUIPMENT TRAP

Many processors offer "free" equipment that is actually leased. The lease payments are buried in your monthly statement under a line item like "equipment rental" or "terminal lease." Over a 48-month lease term, a terminal that costs $300 to purchase outright might cost you $1,200 to $2,400 in lease payments — and you never own it.

Warning signs of an equipment trap:

- Your monthly statement includes a line item for "equipment" or "terminal lease"
- You were told the equipment was "free" at signup but see monthly charges
- Your lease agreement is separate from your processing agreement
- You are locked into a non-cancellable lease even if you switch processors

What Fairway Does

Fairway provides POS equipment at our cost with zero markup. No leases, no rentals, no inflated retail prices. You own your equipment from day one and pay only what we pay for it. There are no hidden equipment charges on your monthly statement.

EARLY TERMINATION FEES

Early termination fees are one of the most effective tools processors use to lock in customers who would otherwise switch. They are often buried in the fine print of a multi-year contract.

Fee Type	How It Works	Typical Cost
Flat Fee ETF	Fixed penalty for canceling early	**$200 - $500**
Liquidated Damages	% of remaining contract value	**$500 - $5,000+**

Remaining Months	Monthly fee x months left on term	**Variable**
Equipment Buyout	Must purchase leased equipment	**$300 - $2,400**

Before you switch processors, pull your original processing agreement and look for the ETF clause, the contract term, the auto-renewal date, and any equipment lease. If you cannot find your contract, call your processor and ask for a copy. They are legally required to provide it.

CHAPTER 08

The Questions Every Business Owner Should Ask

Before signing with any payment processor — or before your next contract renewal — ask these questions. The answers will tell you everything about whether you are getting a fair deal.

1. "Are you quoting me interchange plus pricing?"

The most important question. If the answer is no, or if they pivot to "low rates" without specifying the model, that is a red flag.

2. "What is your exact markup over interchange for a business like mine?"

A reputable processor will give you a specific number based on your industry and volume — not a vague range. Get it in writing. If they cannot answer directly, they are hiding their margin.

3. "Are there monthly fees beyond the processing markup?"

Ask specifically about: monthly service fees, statement fees, PCI compliance fees, batch fees, and annual fees. Every dollar in ancillary fees is margin the processor is extracting beyond their published rate.

4. "What is the early termination fee — and how is it calculated?"

Understand exactly what it would cost to leave before you sign. Any processor charging a percentage of remaining contract value deserves extra scrutiny.

5. "Do you offer dual pricing or cash discounting?"

Any modern processor should support this model. If they actively discourage it, they are protecting their own revenue at your expense.

6. "Is the equipment included — or is it a lease?"

Equipment at cost with no lease is the standard you should expect. If they are leasing you a terminal, understand the full cost over the lease term before you sign.

7. "What does switching look like — who handles it?"

A good processor has a managed onboarding process with real people involved. Ask who your point of contact is and how long the transition takes.

CHAPTER 09

What to Do Next

You now know more about payment processing than most business owners ever will. Here is how to put that knowledge to work immediately.

STEP 1: PULL YOUR MOST RECENT PROCESSING STATEMENT

Log into your processor's portal and download your last 30-day statement. Calculate your effective rate by dividing total fees by total volume. Write that number down.

STEP 2: CHECK YOUR CONTRACT

Find your original processing agreement. Look for the ETF clause, the contract term length, and the auto-renewal date. Know what you are dealing with before you make any moves.

STEP 3: IDENTIFY YOUR PRICING MODEL

Look at your statement. Is it showing interchange costs separately from processor markup? If you see one blended rate or tiered buckets — you are almost certainly on flat rate or tiered pricing and almost certainly overpaying.

STEP 4: GET A FREE COST REDUCTION ANALYSIS

The fastest and most accurate way to know what you should be paying is to have a processor run an analysis on your actual statement. At Fairway, we take your real transaction data and calculate exactly what you would pay under interchange plus pricing and under dual pricing. No estimates. Just your actual numbers.

Ready to See Your Real Numbers?

Fairway Payment Solutions offers a free Cost Reduction Analysis for businesses processing $500K+ annually. We run your actual statement through our pricing model and show you the real numbers — what you pay now versus what you would pay with Fairway under interchange plus and dual pricing.

No obligation. No pressure. Just the truth about what you are paying.

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This guide was produced by Fairway Payment Solutions. Information is provided for educational purposes. Processing fee estimates are based on typical transaction mixes and published interchange schedules. Actual savings vary based on your specific transaction data, industry, and processing volume. This guide does not constitute financial or legal advice.