Reduce Commercial
# Credit Card Processing Costs

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Executive Summary

Business to Business (B2B) and Business to Government (B2G) payment transactions generally involve corporate or purchase credit cards. The charge amounts for these transactions are usually higher compared to Business to Consumer (B2C) transactions. Most B2B purchases involve additional charges required for the delivery of goods purchased (Freight, duty amount and so on). On average, higher transaction amounts cost more to process but isn't always the rule. Businesses processing large transaction volumes of B2B/B2G cards can reduce transaction costs by providing additional transaction data.

Credit card payment processing gets categorized into three different levels: Level 1, Level 2 and Level 3. As the level increases, so does the requirement to provide more information when processing a transaction. Most businesses can operate at Level 1, but when processing qualifying B2B or B2G transactions and providing additional transaction information, the cost of the transaction can be reduced. The reduced transactions rates can be achieved by qualifying transactions at Level 2 and Level 3 card processing.

Merchants processing a significant volume of B2B/B2G transactions have options to reduce the cost of qualifying card transactions. These options include collecting and passing additional transaction data, submitting the settlement of transactions within a specific time window and registering with the card brands for additional large-ticket program discounts.

This paper highlight ways in which businesses can lower the cost of B2B/B2G payment transactions by leveraging different payment processing methods available.
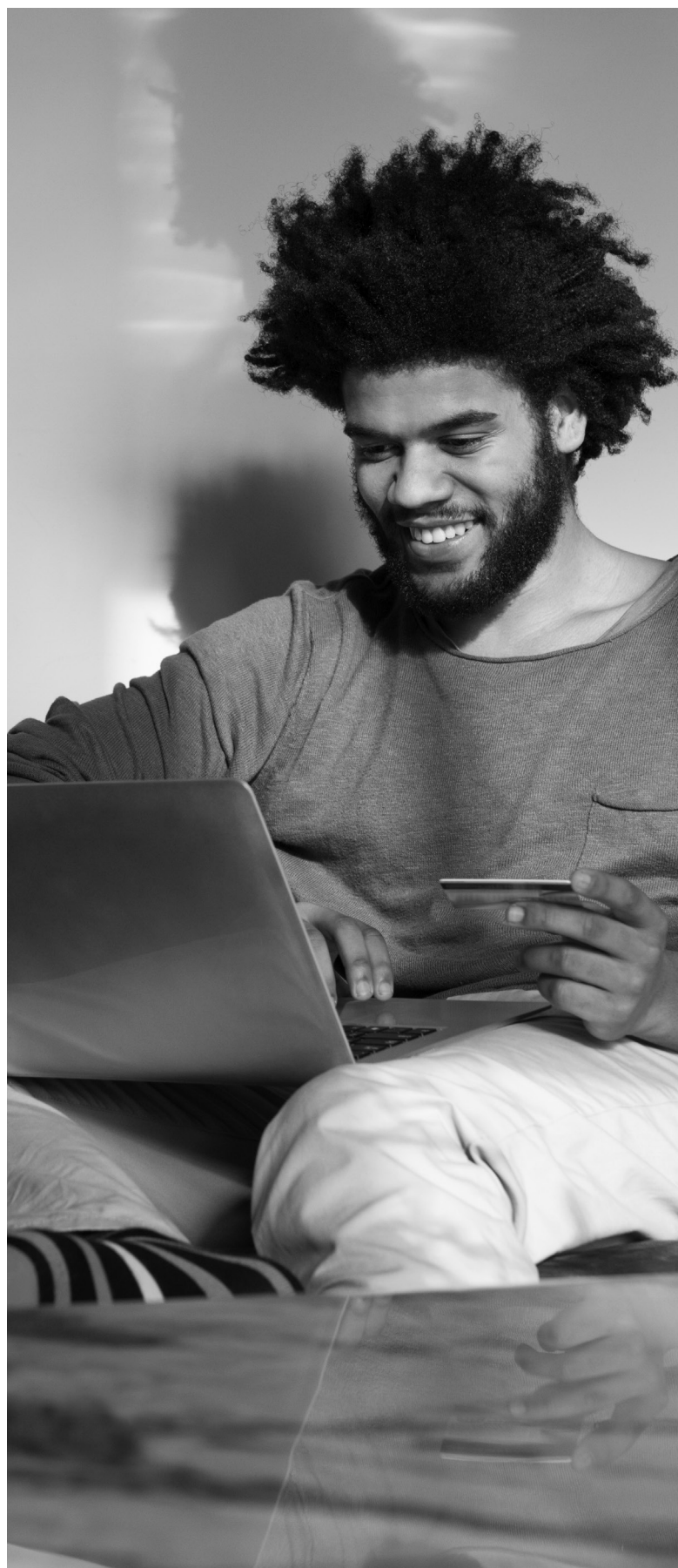
Definitions

To fully understand the different payment processing methods that businesses can leverage to lower the cost of B2B/B2G payment transactions, it is important to be familiar with a few key terms.

Card Types

- Business Card: A credit card issued to employees at a small business. The Cardholder is liable for card payments

- Corporate Card: A credit card issued to employees at a large company for business-related expenses. The company is liable for the card payments

- Purchasing Card: A credit card issued to employees to make business-related purchases instead of using a purchase order. These cards are also referred to as P-Cards. And, take the place of a purchase order and streamline the process for authorized employees to buy approved goods or services for a business. Employers can impose restrictions on P-Cards, such as capping spending or restricting purchases at businesses with a certain merchant category code (MCC)

- Government Purchase Cards (GSA SmartPay): A purchase credit card issued by the government to local, state or federal employees. Transactions with GSA cards are tax exempt

Interchange:

The largest part of the transaction processing cost. It is determined by and goes to the banks that issue credit cards.

Level 1 Data:

Level 1 card data is the most basic and common type of credit card transaction data. The data fields required to qualify a payment transaction at Level 1 are Merchant DBA name, Billing ZIP code and Transaction amount.

Level 2 Data:

Level 2 card data includes the Level 1 data in addition to the following data fields: Sales tax amount, Customer reference number or PO number, Merchant postal code, Tax ID, Merchant minority code and Merchant state code.

Level 3 Data:

Level 3 data refers to providing specific line item details at the time of a purchase card or government card transaction beyond what is required for consumer card transactions. Level 3 data includes the same information captured at Levels 1 and 2, plus the following data fields: quantity, product code, product description, ship-to ZIP, freight amount, duty amount, order/ticket number, unit of measure, extended item amount, discount indicator, discount amount, net/gross indicator, tax rate applied, tax type applied, debit or credit indicator and alternate tax identifier. This data is equivalent to the information found on an itemized invoice.

Transaction Settlement:

The process of moving funds from the cardholder's account to the merchant's account following a credit or debit card purchase.

Note:

The card types described above can be used in person (card-present – CP) or online, over the phone, and by mail to pay an invoice (card-not-present – CNP). However, Level 2 and Level 3 data primarily helps with CNP transactions.

Visa® Straight-Through Processing (STP)

Visa offers a commercial card processing program called Visa Straight-Through Processing or Visa STP. Visa STP is a buyer-initiated transaction service that automates invoice-based payments for buyers and suppliers. STP enables registered buyers and sellers to benefit from the optimization of the accounts payable process. Sellers pay less for processing large ticket transactions. Buyers can make payments to any supplier registered with the STP program.

The list of registered STP suppliers is provided by Visa or any participating payment gateways with Electronic Invoice Presentment and Payment (EIPP) solutions. Buyers and suppliers must register with Visa to take advantage of this program.

Visa STP for Buyers

Buyers benefit from Straight-Through Processing by:

- Automating payments to suppliers with the submission of a payment data file. The payment file is sent directly to a participating bank or an Electronic Invoice Presentment and Payment (EIPP) participating solution

- Gaining added payment control over the timing of each transaction

- Automating payment and improving relationships with participating vendors

- Reducing payment costs associated with manual processes and the need to print checks

- Receiving payment status data that can be imported back into the business ERP system for auto reconciliation. Visa STP for suppliers

Visa STP Payment Flow for Buyers

The diagram shown depicts the process flow buyers follow when processing STP payments.

Visa STP for Suppliers

STP for suppliers takes the hassle out of accepting B2B invoice payments.

You provide a payment instruction file to your bank

Visa receives the file from your bank and passes through for processing

Visa securely sends you complete purchase details for reconciliation

Your supplier receives payment automatically

How It Works

- Supplier's participating customer initiates an invoice payment through their bank or participating EIPP solution

- The bank or EIPP solution processes the payment and sends it to the supplier's merchant processing partner

- The EIPP solution or merchant processing partner processes the payment for the supplier and provides the supplier invoice details electronically

- The buyer receives payment confirmation from their respective bank or directly from the EIPP solution

Supplier's Business Benefits With Visa STP

- Reduced Visa Interchange. Supplier enjoys access to reduced Commercial Card interchange rates (See table shown.)

- No Fixed Acquirer Network Fees. Visa has eliminated this fee for Visa STP payments

- Minimized risk. Visa STP combines a guaranteed payment with limited chargeback risk and eliminates the handling of sensitive card numbers

- Payment automation. Visa STP eliminates payment keying, the supplier gets an electronic file with invoice details for reconciliation within the existing accounting software

- Improved accounts receivable process. supplier gets paid faster while eliminating the cost of collections and write-offs

Note: Acquirers enroll merchants (suppliers) to participate in STP (Does First Data allow this?)

- Once enrolled, Visa will identify the supplier as STP-enabled in its Supplier Matching Service (SMS). The Visa Supplier Matching Service is available to help issuers and buyers in determining which suppliers are eligible for STP

Visa STP Payment Flow for Sellers

Here's how Visa STP works:

a higher per-transaction fee; the per-transaction fee doesn't change like a percentage does. Visa, Mastercard and Discover offer large ticket programs for high dollar value transactions.

Sellers benefit from reduced interchange rates when processing STP payments. See the table shown for the reduced interchange offered by Visa.

Shown are the Visa STP commercial interchange rates:

Access to the Lowest Available Visa Commercial Interchange Rates	
Transaction Amount	**Rate:***
U.S. STP Tier 1 (Less than $7,000)	2.00% + 0.10
U.S. STP Tier 2 ($7,000 + $14,999.99)	1.30% + 35.00
U.S. STP Tier 3 ($15,000 + $49,999.99)	1.10% + 35.00
U.S. STP Tier 4 ($50,000 + $99,999.99)	0.95% + 35.00
U.S. STP Tier 5 ($100,000+)	0.80% + 35.00

*Rate accurate as of CPD 4/18/15

Source: usa.visa.com/content/dam/VCOM/download/merchants/visa-stp-merchant-sheet-with-irf-table.pdf

Mastercard has three "Commercial Large Ticket" categories with specific dollar-value thresholds:

- Commercial Large Ticket 1: Applies to transactions that are at least $7,255

- Commercial Large Ticket 2: Applies to transactions that are at least $25,000

- Commercial Large Ticket 3: Applies to transactions that are at least $100,000

Visa has one "Commercial Product Large Ticket" category with a dollar-value threshold:

- Commercial Product Large Ticket: applies to transactions that are at least $5,000

Visa also has a separate "Large Purchase Advantage Fee Program" with five categories, each with its own dollar amount threshold:

- $10,000.01 – $25,000

- $25,000.01 – $100,000

- $100,000.01 – $500,000

- $500,000+

Large Ticket Credit Card Processing

Visa, Mastercard and Discover® offer large ticket transaction discount programs designed for merchants who accept high dollar transactions. By enrolling in the large ticket program with a designated card brand and passing enhanced Level 2 processing, businesses can substantially reduce the costs associated with accepting large B2B and B2G credit card transactions.

Large ticket credit card transactions offer the lowest per-transaction cost. Large ticket programs are applicable only to B2B and B2G transactions involving large purchases. With large transactions, businesses can save more money with a lower percentage fee and

Note that the "Large Purchase Advantage Fee Program" categories only apply to select Visa Purchasing cards. Other qualifying commercial cards for large purchases receive the Commercial Product Large Ticket rate.

In addition to the dollar-value thresholds, qualifying for large ticket rates requires passing all the required enhanced data (see Level 2 and Level 3 sections later in this paper). Omitting the enhanced data does not qualify transactions for large ticket rates even if the transaction is above the dollar value thresholds noted above.

Large Ticket Credit Card Processing Discounted Rates

- **Visa:** Visa large ticket rate for commercial cards is 1.45 percent + $35.00 per transaction. A separate large ticket rate (1.20 percent + $39.00 per transaction) applies to the General Services Administration (GSA) government cards. For select purchasing cards, large ticket rates range from 0.40 percent + $58.50 to 0.70 percent + $49.50

- **Mastercard:** Mastercard has several categories for large ticket transactions. Mastercard large ticket rates range from 1.20 percent + $40.00 to 1.51 percent + $40.00. While the per-transaction component of the fee in large ticket rates seems high, this rate only applies to higher-value transactions. For large transactions, paying a lower percentage fee in exchange for a higher per-transaction fee results in lower overall costs

For more information, see the Mastercard 2018 – 2019 U.S. Region Interchange Programs and Rates at: mastercard.us/content/dam/mccom/en-us/documents/merchant-interchange-rates.pdf

- **Discover**: Discover Large Ticket Program has the lowest rate for this category, at 0.90 percent and $20 per transaction. Discover also sets the amount for 'Large Tickets' at transactions above $5,000

For more information on large ticket credit card processing and discounted rates, reference the April 2019 Visa USA Interchange Reimbursement Fees schedule at: usa.visa. com/dam/VCOM/download/merchants/visa-usa-interchange-reimbursement-fees.pdf

Credit Card Processing With Enhanced Data (Level 1, Level 2 and Level 3)

B2B/B2G transactions that include additional transaction data (Level 2 and Level 3) qualify for reduced interchange rates. Visa, Mastercard and American Express have programs for Level 2 and Level 3 enhanced data. Discover does not participate in any enhanced data programs.

In order to process Level 2 transactions with American Express, merchants need to contact the card brand and register for Level 2 payment processing. Level 2 and Level 3 data for Visa and Mastercard are available through interchange without having to notify the card brands.[1] American Express Level 3 data is only supported for businesses based in the U.S. who are doing business in U.S. dollars and have a direct account with American Express. OptBlue American Express accounts do not participate in the Amex® Level 3 program.

It is important to understand the different transaction qualifying levels to estimate the processing costs to be gained when processing B2B or B2G payment transactions.

What Is Level 1 Data?

Level 1 card data is typically associated with consumer transactions and includes the same information captured during consumer credit card payment processing. The basic data fields required to complete a Level 1 credit card transaction are:

- Transaction amount
- Business name
- Billing postal code

Additional information, such as the date and time of the transaction, merchant category code and cardholder information are automatically recorded by the bank but aren't explicitly reported by the merchant processing the transaction. Transaction Level 1 data returns limited purchase data to the cardholder. The interchange cost for B2B/B2G Level 1 qualifying transactions is the same as consumer credit card transactions.

What Is Level 2 Data?

Level 2 data provides additional information about the merchant and the transaction.

- Tax Amount (Between 0.1 percent and 31 percent of the total amount)
- Customer code/PO Number
- Merchant tax ID
- Merchant ZIP/Postal code
- Merchant minority code
- Merchant state code

Note:

To qualify Visa/Mastercard transactions at Level 2 rate, the Tax Amount must be between 0.1 percent and 31 percent of the total amount. However, tax-exempt transactions must include a tax amount of zero, provide the tax-exempt flag and provide Level 3 data to qualify for Level 3 rates (lower interchange). For specific Merchant Category codes (4111, 4131, 4784, 4215, 8211, 8220, 8398, 8661, 9211, 9222, 9311, 9399 and 9402), Mastercard allows transactions to qualify at Level 2 rates when passing a zero in the Tax Amount field.

Visa, Amex and Mastercard offer lower Interchange rates when this information is provided because the transaction is less likely to be fraudulent. Level 2 data processing is available to all merchants and provides a rate reduction, but not as much as Level 3 processing. To qualify payment transactions at Level 2 interchange, the transaction must provide Level 1 and Level 2 data in the transaction record.

The primary benefit to the cardholder of Level 2 credit card processing is control. Corporate cardholders often set predefined limits on spending. For example, a company might place restrictions on the number of monthly transactions per card, the amount of each transaction and when or how a card may be used. When processing payments, the merchant sends the additional fields including tax and code with every transaction, making it easy for companies to monitor and analyze their spending, which helps them eliminate the risk of inappropriate spending with corporate credit cards.

What Is Level 3 Data?

Level 3 payment processing refers to providing specific transaction line item details (beyond what is required for consumer card transactions) at the time of a corporate, purchase or government card transaction. It is used in B2B/B2G transactions to help large corporations track their purchase spending by collecting additional transaction line-item details.

Passing the additional transaction data benefits seller merchants with significantly lower interchange rates for Visa, Amex and Mastercard transactions. The data is reported back to the card brands and is later forwarded to the purchasing business. Businesses receive back the transaction details to help them keep track of purchases with applicable sales tax details and help them set restrictions on purchases made with a company card. Providing this additional transaction data is optional and can result in substantial payment processing cost reduction for a business.

Level 3 transactions require sending the most data at the time the transaction is submitted for settlement. Each transaction must include specific line item details, in addition to Level 1 and Level 2 data, to qualify for Level 3 transaction rates. The payment processor or payment gateway can provide specific information on Level 3 data field requirements to qualify transactions at Level 3 rates.

Level 3 Data Requirements

Level 3 transaction required data fields are subject to change. The following list is provided for reference only.

Any business processing B2B/B2G transactions should check with their respective payment gateway to ensure the gateway is set up to pass and process enhanced transaction Level 3 data. The merchant monthly statement provides data rate qualification details and can be used to asses if transactions are qualifying at Level 2 and Level 3 rates.

Visa Level 3 Data Requirements

- Unit of Cost
- Tax Amount
- Unit of Measure
- Freight/Shipping Amount
- Duty Amount
- Discount Amount
- Discount Per Line Item and Line Item Total
- Item Commodity Code
- Ship-From ZIP Code
- Ship-To ZIP Code
- Item Description
- Destination Country
- Item Product Code
- Item Quantity
- VAT Information (For example, Tax Amount, Rate and Invoice Number)

Mastercard Level 3 Data Requirements

- Tax Amount
- Item Quantity
- Tax Indicator
- Item Description
- Customer Code (For Purchasing Cards)
- Unit of Measure
- Tax ID
- Extended Item Amount
- Product Code
- Debit or Credit Indicator

American Express Level 3 Data Requirements

American Express Level 3 data is only supported for businesses based in the U.S. that are doing business in U.S. dollars and have a direct account with American Express. OptBlue American Express accounts do not participate in the Amex Level 3 program.

- Dollar Amount
- Unit of Measure
- Item Description
- Item Category
- Item Industry Category
- Item Name
- Item SKU
- Item Quantity

- UPC Code
- Commodity Code
- Item Unit Price
- Item Unit Tax Amount
- Item Tax Type
- Item Tax Rate
- Item Tax Amount
- Item Discount Amount
- Item Discount Rate

Source: American Express Level 2 and Level 3 data:
gateway-na.americanexpress.com/api/documentation/
integrationGuidelines/supportedFeatures/
pickAdditionalFunctionality/levelIIAndIIIData/index.
html?locale=en_US

Which Cards Qualify for Level 3 Rates?

Many corporate and purchasing cards qualify for Level 3 rates, but most business credit cards do not. Business cards differ from corporate cards in that the cardholder is usually liable for purchases rather than the company. It is common for small businesses to have business credit cards and larger companies to have corporate credit cards. Cards eligible for Level 3 processing include purchase cards, corporate, government spending accounts, GSA SmartPay cards, fleet and Mastercard business cards. There is no simple way to quickly identify if a credit card qualifies for Level 3 rates. Regardless, the card brands require merchants to accept all cards without discrimination. When processing B2B or B2G transactions it's best practice to submit all the required data for Level 3 transactions. If certain cards only qualify for Level 2 interchange rate, providing Level 3 does not affect negatively the cost of the transaction.

What Qualifies a Payment Transaction for Level 3 Interchange Rate?

Several factors affect whether a transaction qualifies for Level 3 interchange rates:

- The card must be eligible for Level 3 rates (Corporate and purchase cards; some business cards)
- All the required data for Level 3 must be provided with the transaction – the transaction must also include Level 1 and Level 2 data

- The payment gateway used to process the payment must be able to accept and process all the additional information provided in the transaction
- The transaction must be submitted for settlement within a specific timeframe (May vary per payment processor)

The table shown provides information on which enhanced data is required to qualify transactions at Level 1, Level 2 and Level 3 rates.

Transaction Level Requirements

Data Type	Level 1	Level 2	Level 3
Merchant Name	Y	Y	Y
Transaction Amount (Total)	Y	Y	Y
Date	Y	Y	Y
Tax Amount		Y	Y
Customer Code		Y	Y
Merchant Postal Code		Y	Y
Tax Identification			Y
Merchant Minority Code			Y
Merchant State Code			Y
Ship From Postal Code			Y
Destination Postal Code			Y
Invoice Number			Y
Order Number			Y
Item Product Code			Y
Item Commodity Code			Y
Item Description			Y
Item Quantity			Y
Item Unit of Measure			Y
Item Extended Amount			Y
Freight Amount			Y
Duty Amount			Y

The difference in amount of data required for Level 2 versus Level 3 is not insignificant. Providing Level 3 data requires a gateway that can process this data. Not all businesses need a Level 3 solution. Businesses that occasionally process B2G and B2G card but primarily

take consumer cards, do not need to focus on Level 3 data. However, if a business accepts a good volume of purchasing or government cards or have frequent large ticket sales with purchasing cards, Level 3 solutions can provide a substantial cost savings on processing fees. The difference between Level 2 and Level 3 interchange rates can add up quickly, specifically on large transactions.

The Role of Payment Gateways and Level 2/Level 3 Processing

Passing the required Level 2 and Level 3 data with qualifying transactions alone does not mean transactions will qualify at the lowest rate. Payment gateways play a critical role in accepting and processing these transactions to qualify at low rates. If the payment gateway is not capable of accepting and processing the enhanced transaction data, providing the additional data is irrelevant. In this case, the transactions will not qualify for Level 2/Level 3 since the data is not sent by the gateway to the card brands.

Corporate or purchase cards that only qualify at Level 2 rates are generally accepted by most gateways. Because it is not simple to quickly identify whether cards qualify for Level 2 or Level 3 rates, it is best to process these transactions through a payment gateway that supports Level 2 and Level 3 processing; especially, when processing large transaction volume with varying card types.

Credit card terminals and most POS systems do not support accepting and passing Level 3 data. When using a Level 3 qualifying card with a terminal device or POS system, the transaction will be charged using card-present rates and this does not provide the lowest transaction cost. In order to qualify B2B/B2G transactions at the lowest rates, a payment gateway capable of accepting and passing the enhanced data will be required.

Some payment gateways do not support Level 2 or Level 3 payment processing. In addition, gateways that advertise the capability and functionality to process Level 2 and Level 3 data may not be certified to pass the data to all the payment processing platforms they support. It's important for businesses to confirm whether a payment gateway – and its supported payment processor – can be set up to pass Level 3 data and then verify that transactions are qualifying at the correct rate once processing begins.

A quick way to check if transactions are qualifying at the lowest rate is to look at the monthly merchant statement. If the merchant statement shows "Standard" or "STD" for transaction qualification rates, the transactions might have downgraded. In some cases, a business may be missing out on savings without an obvious listed downgrade term.

When only receiving Level 2 rates for transactions eligible for Level 3, the business is overpaying for the cost of the transaction. The best way to look for optimal B2B/B2G interchange qualification is to have a processing expert, familiar with Level 2 and Level 3, review the merchant statement to help determine possible savings for B2B or B2G transactions. In many instances, the interchange savings can amount to tens of thousands of dollars based on the processing volume of qualifying card transactions.

Automatic Interchange Optimization

Some payment gateways provide additional functionality to help qualify transactions at the lowest transaction cost. The "best" payment gateways for Level 2 and Level 3 processing provide functionality to automatically identify qualifying card transactions and autofill all the missing or incorrect Level 2 and Level 3 required data fields with default merchant, predefined values. Autofill helps reduce human error and ensures that a business provides the line item details needed to qualify for Level 2 and Level 3 rates.

This doesn't mean a gateway without autofill functionality is a bad choice. It just means the business will need to continually pass correctly all the required fields and parameters for providing enhanced data. Businesses that have multiple staff members entering payments should avoid gateways without auto-fill functionality. Entering Level 2 and Level 3 data for every transaction is prone to errors when multiple people enter this enhanced data manually.

The Fiserv CardPointe virtual terminal and payment gateway solution automates Level 2 and Level 3 data population for businesses. CardPointe provides businesses functionality to predefine Level 2 and Level 3 data values to substitute incorrect or omitted values for processed transactions. This functionality ensures that every qualifying transaction will be submitted with all the required enhanced data to qualify a B2B or B2G transaction at the lowest cost.

The CardPointe virtual terminal can be configured to auto-fill the required fields when processing B2B and B2G cards, saving time and minimizing the risk of human error. The CardPointe payment gateway accepts Level 2 and Level 3 data with every transaction. Upon receiving the transaction, the gateway qualifies the card as a qualifying Level 2 or Level 3 transaction and provides the pertinent enhanced data to the payment platform. This process ensures that every qualifying transaction receives the expected transaction rate and reduces the risk of transaction downgrades due to invalid or omitted data.

Tangible Benefits of Level 2 and Level 3 Processing

As of 2019, Visa sets its Level 3 rate for qualifying commercial cards at 1.90 percent + 10 cents per transaction (See table shown). Mastercard splits Data Rate 3 eligible cards into more categories than Visa. Data Rate 3 cards range from 1.75 percent + 10 cents per transaction to 2.06 percent + 10 cents. Rates subject to change.

Providing Level 3 data is better than only providing Level 2 and providing Level 2 data alone is better than not providing any enhanced data. For businesses accepting a large volume of purchase or government cards, Level 3 qualifying rates can produce significant savings (especially for large ticket transactions).

For example, in Visa's 2019 interchange table, the rate for commercial Level 3 is 1.90 percent + 10 cents. Providing only Level 2 data on a card eligible for Level 3 rate, increases the interchange cost to 2.05 percent + 10 cents: a 0.15 percent difference. On a $1,000 purchase, this increased percentage results in a cost increase of $1.50 but on a $10,000 purchase, the cost increases to an additional $15 dollars. The Level 3 savings can add up quickly for businesses processing large volumes of B2B and B2G transactions. Not providing any enhanced data results in a higher cost for the transaction (See Commercial Card Not Present – 2.70 percent + 10 cents – in table shown).

The table shown provides interchange incentive reasons to provide Level 2 and Level 3 enhanced data for all B2B/B2G transactions.[1]

Fee Program	Purchasing* Corporate T&E
Commercial Level III	1.90% + $0.10
Commercial Level II – Fuel	2.05% + $0.10
Commercial Level II	2.50% + $0.10
Commercial Card Present	2.50% + $0.10
Commercial Travel Service	2.65% + $0.10
Commercial Card Not Present	2.70% + $0.10
Commercial Standard Interchange Reimbursement Fee	2.95% + $0.10
Commercial Product Large Ticket	1.45% + $35.00
Fee Program	**Purchasing Only**
Government-to-Government (G2G)	1.65% + $0.10
GSA Large Ticket	1.20% + $39.00

*Includes Fleet cards

The Commercial Standard Interchange Reimbursement Fee category is the lowest downgrade category for B2B transactions. It carries the most expensive rate of 2.95 percent + $0.10 (see table above). Not providing the minimum data requirements for commercial card payments will downgrade the transaction to this category costing 1.05 percent more than a transaction processed with Level 3 data.

A business processing a Visa purchase card for a $500 Card-Not-Present transaction would incur the following transaction costs based on the amount of data passed with the transaction.

Detailed Interchange Cost Comparison Example

When the transaction is:

• Submitted with all the required Level 3 data, the interchange cost is: **$9.60** (500 x 0.019 + 0.10 cents)

• Submitted with all the required Level 2 data, the interchange cost is: **$12.60** (500 x 0.025 + 0.1)

• Submitted with all the required Level I data, the interchange cost is: **$13.60** (500 x 0.027 + 0.1)

• Submitted without any enhanced data and downgrade, the interchange cost is: **$14.85** (500 x 0.0295 + 0.1)

The interchange difference is **$5.25** between the interchange category with the lowest cost and the one with the highest. Mastercard interchange rates are similar, with the Data Rate 3 category incurring a 1.80 percent + $0.10 cost, which jumps to 2.95 percent + $0.10 for a "standard" (downgraded) commercial credit transaction.

Business credit cards have a smaller interchange costs gap, as shown in the table shown (taken from page 15, Visa interchange schedule[1]).

Business Credit Fee Program	Interchange Cost
Business Level II	2.05% + $0.10
Business Business-to-Business	2.10% + $0.10
Business Retail	2.20% + $0.10
Business Card Not Present	2.25% + $0.10
Business Electronic Interchange Reimbursement (EIRF) Fee	2.40% + $0.10
Business Standard Interchange Reimbursement Fee	2.95% + $0.20
Siness Utility Program	$1.50

In this case, the difference from the lowest priced category to the highest comes in at .90 percent. Although this is a smaller gap than commercial card categories, it can still add up quickly. It is better to save the extra 1 percent on all business card transactions by providing enhanced data to qualify for better pricing.

Lower Interchange Rates Benefit Businesses

Only businesses directly benefit from lowered interchange costs. Payment processors have no direct incentive to help businesses qualify for Level 2 or 3 interchange rates. Interchange is the "wholesale" cost of credit card processing. Banks collect interchange and payment processors do not make money directly from interchange; their profits are not affected by whether a business gets lower costs at "wholesale price."

Summary

Businesses accepting B2B or B2G payments in large volume can greatly reduce transaction costs by providing enhanced transaction data.

The enhanced data must be accepted and processed by the payment gateway processing the transaction. Businesses can leverage existing payment gateway interchange optimization functionality to reduce transaction costs. Interchange Optimization automates Level 2 and Level 3 data population for incorrect or omitted transaction data. This functionality ensures that every qualifying transaction is submitted with all of the required enhanced data to qualify a B2B or B2G transaction at the lowest cost.

In addition to providing enhanced Level 2 and Level 3 data to reduced transaction costs, businesses can register with the card brands to participate in the Visa Straight-Through Processing and Large Ticket programs. These programs offer businesses the lowest interchange rates for B2B and B2G transactions. The interchange cost reduction associated with providing enhanced Level 2, Level 3 or when registering for reduced interchange rate card brand programs, can result in substantial savings for a business.

Businesses ought to carefully review their merchant statements to identify potential cost savings and evaluate available solutions to help further reduce payment processing costs.

References:

1. Visa USA Interchange Reimbursement Fees at: usa.visa.com/dam/VCOM/download/merchants/visa-usa-interchange-reimbursement-fees.pdf, Amex Corporate Purchasing Card Program Administrator Guide at: resourcecenter.americanexpress.com/en/~/media/gcpmiscsites/resourcecenter/US/Docs/Application_Forms%20and%20Payment%20Products/CorpPurchasingCard/US_CPC_PA_Guide_v1.pdf, and Mastercard 2018 – 2019 U.S. Region Interchange Programs and Rates at: mastercard.us/content/dam/mccom/en-us/documents/merchant-interchange-rates.pdf

2. Visa Straight-Through Processing Interchange Rates and usa.visa.com/content/dam/VCOM/download/merchants/visa-stp-merchant-sheet-with-irf-table.pdf

About Miguel Gracia

Miguel Gracia, VP of Solutions Engineering, is a senior executive with 30 years of technology experience. His expertise revolves around payment processing solutions, tokenization, Point-to-Point Encryption (P2PE) terminals, eCommerce, network security and information security within PCI guidelines.

In 2012, Miguel Gracia joined CardConnect®, which was then subsequently acquired by First Data. He supports the B2B Enterprise Payments team as a Sr. Solutions Engineer and develops product solutions within the Enterprise Gateway Integration and Support groups. Miguel has completed hundreds of payment processing integrations within the CardConnect gateway. For over 20 years, Miguel has taken lead roles during the design, testing, deployment and management of secured data networks, PCI data compliance processes and information systems and IT departments supporting customers in diverse payment processing environments.

Miguel Gracia has an undergraduate degree in computer science from the New Jersey City University and a Master of Science in IT Management from the Stevens Institute of Technology.

About Fiserv

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimization. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today. Visit fiserv.com to learn more.

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