

From: William Schmidt <bill@turn-of-the-century.com> on 06/03/2008 12:30:06 PM

Subject: Regulation AA

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Federal Reserve Board Email comments

Dear Email comments,

I am a craftsman - a VERY small businessman.

We pay the credit card companies about 5% on credit card transactions. I have recently found that even medium sized businesses pay the 5%. Initially, these fees were to cover processing, risk of fraudulent cards and the one-month loan to the customers until they pay off their bill.

Enter the direct withdrawal cards: The processing costs are still there, but the fraud risk is greatly diminished and the one month loan is non-existent. We STILL have to pay 5%.

NOW - There are the "green", prepaid cards. The credit card company actually HOLDS the customers cash, earning interest on it, with virtually no risk, and they are even cutting the banks out of the equation, yet we are still paying 5% to handle the card.

By contract, I have to charge my card paying customers the same as if they were paying cash, thus passing the costs to ALL my customers (about 2% price increase)

There NEEDS to be regulation on the merchant's end as well.

1. The merchant's cost should reflect accurately the actual cost (including risk factors) of the transaction (highest for full credit, lower for direct withdrawal and very low to nonexistent for prepaid cards.)
2. The merchant should be permitted, BY LAW, to pass these fees along directly to the customer using the card. It is unfair to make ALL customers pay for SOME people's use of credit cards.

3. The cards should be marked by type: credit cards, direct withdrawal and prepaid.

Credit cards are a valuable convenience, but those receiving the benefit should pay accordingly, not making EVERY customer pay for their convenience.

Sincerely,

Mr. William Schmidt
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