

From: Rex Whitaker
Subject: Reg I I - Debit card Interchange

Comments:

Dear Ms. Jennifer Johnson:

Re: Docket No. R-1404 and RIN No. 7100 AD63

TRO of NC, Inc. owns and operates 21 Tobacco Road Outlet stores throughout North Carolina, we employ 70 hard-working North Carolinians company-wide. Our business and our customers are hurt every day by the centralized fixing of prices by Visa and MasterCard. Those two giants set the swipe fees (also known as interchange) that their banks all across the country charge. Banks don't compete on the swipe fees they charge and businesses like mine know all too well that, to paraphrase a lending ad, when banks don't compete we all lose.

Credit and debit card swipe fees are about \$50 billion each year. Our part of that \$50 billion for this past year was over \$185,000 for a small company that is a lot of money that could be used to grow our company and/or be more competitive. They are the second highest operating expense for many merchants. And for a large and growing number of merchants these fees are more than their pre-tax profits. Costs of doing business are one thing, but to send more money out the door than we are making while banks all charge the same schedule of fees and refuse to compete is not acceptable to me. Obviously, with fees this high I can't help but raise my prices to keep making a profit and that means my customers are the ones getting hurt the most by this.

Thankfully, Congress took a step forward on part of this problem last year. An amendment was included in the Wall Street Reform Act to limit price fixing on debit card swipe fees. It says that if the card giants continue to centrally fix fees, then those fees will be limited by the Federal Reserve to what is reasonable and proportional to banks' real costs. Centrally fixed fees should not be allowed at all -- Congress and the Fed prohibited them on paper checks nearly a century ago -- but the amendment is more generous to banks than the rules on check transactions. The amendment also exempted every single bank or credit union with less than \$10 billion in assets. That includes 99% of all institutions so this just applies to the biggest banks in the nation.

The Federal Reserve is writing the rules on this now. They aren't as good as I'd like -- they ought to just prohibit the centrally fixed fees -- but they are a good step in the right direction. We haven't seen any relief yet and credit card fees still haven't been dealt with at all, but we look forward to some relief coming when the rules are scheduled to go into effect in July.

I can't tell you strongly enough how important this is to businesses in your district like mine. Please support the Federal Reserve's rulemaking efforts and help us push for more relief from these fees in the future.

Sincerely,
Rex Whitaker