

From: Stephanie Rayburn-Moody
Subject: Reg I I - Debit card Interchange

Comments:

Dear Ms. Jennifer Johnson:

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

Debit card swipe fees are a tremendous burden on my business and result in higher prices for my customers. This is unfair. The banks should not be able to charge centrally set fees at all on debit cards. They should compete on price like every other business in the country.

I appreciate the work that the Federal Reserve engaged in to come up with its proposed rules. In my view, there is no good reason for interchange on debit transactions and the fees should be zero, but the proposed rule is a good step toward having some reasonable limits on these fees. Even without interchange, banks have incentives to give people debit cards because it is cheaper for the banks than other ways (paper checks, tellers, etc.) of letting people get access to their own money. There is no need for it to be a source of excessive profit-taking through fixed fees. I hope the final rule will have fees even lower than what was proposed, but of the options provided, the one with a seven cent safe harbor is by far the better of the two.

Providing merchants with a choice among competing networks through which to route transactions is also very important. We need competitive pressures to limit the fees that the networks charge us. While not as large as interchange, these fees have been growing at a faster rate and are significant. It is not enough to only have a competitive choice on PIN transactions. Many transactions, such as those on the Internet, currently cannot be processed as PIN transactions. The way that the dominant card networks exclude other networks from taking "signature" transactions is arbitrary and unfair. There are "signature" transactions with no signature and PIN transactions with no PIN entered. All of these are simply debit transactions -- using the same card, at the same merchant and deducting the same amount from the same bank account. Whichever network can do this the best and cheapest way should get that business. The dominant card networks should not be able to reap the benefits of unfairly excluding their smaller rivals from "signature" transactions by keeping exclusive control of these transactions. I need a choice on all transactions and ask that your rules provide it.

Finally, please take into account the fact that merchants pay big dollars for fraud every day. Debit cards do not give us guaranteed payment. We lose many sales through fraud chargeback's and on top of that we spend a lot of money on PCI compliance and other expenses to reduce fraud. We should not have to pay more for fraud through interchange unless the banks come up with a system that reduces these costs of fraud by improving on fraud prevention that is already in place when a PIN is required.

The problems my business has with debit fees are large and growing. We need you to build upon the good progress you have made in proposing these rules by finalizing them and putting them into effect as soon as possible so that we and our customers can see some relief. Thank you for your work on this issue and

your consideration of these comments.

Sincerely,

Stephanie Rayburn-Moody