

From: John H Houseman
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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Name: John H Houseman
Affiliation:
Category of Affiliation: Other
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

I am the owner of a Valero convenience store/gas station in a small town with a population of less than 18,000. The primary method of payment for goods by my customers is via debit cards, representing 59.5% of gross sales for 2010. Due to interchange fees, as prices go up on the products I sell, I am forced to decide whether to accept a lower gross margin, pass on the additional cost to customers, or find another cost-cutting means by which to maintain the margin. While this fee is only a small percentage, on items which there is very little margin to begin with, coupled with the price of these items increasing substantially as of late, it has become a prohibitive fee. Perhaps the best example of this would be on fuel sales. When the "price at the pump" is only \$2.00 this fee, which typically runs 1.5%-2%, is only 3 - 4 cents per gallon. However, as the price increases to \$3.00, that fee now represents a cost to me of 4.5 - 6 cents per gallon. This is a substantial increase when my gross margin on fuel typically averages only 8 cents (including the interchange fee). These figures may not sound like much, but for 2010 I paid \$48,383.15 (or approx. 5 cents/gal sold) in interchange fees! And I own only one store in a small town, and I'm not right off of the interstate catching tons of traffic everyday. The interchange fees have effectively replaced the money consumers used to spend on purchasing personal checks. But can you imagine having to pay an extra \$1 every time you put \$50 in gas in your car? Especially when \$50 only gets you a little over 16 gallons of gas at today's prices! That is essentially what is happening now, because I obviously am forced to increase the price at the pump to offset this fee. Also, due to the nature of being a branded fuel location, I am required by contract to use only the payment processor of the brand of fuel that I sell. Therefore, I cannot seek any form of competition as it relates to interchange fee assessment. Please limit this fee. The actual costs associated with the transaction have fallen substantially with the advancement of today's technologies. And I as a merchant am forced to offer

this service to my customers, since banks have, for the last 2 decades, been persuading their customers to switch to debit cards instead of checks.