

CLAIRE McCASKILL
MISSOURI

717 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-6154
FAX: (202) 228-6326
<http://mccaskill.senate.gov>

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
ARMED SERVICES
COMMERCE, SCIENCE AND
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SPECIAL COMMITTEE ON AGING
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CONTRACTING OVERSIGHT,
CHAIRMAN

March 31, 2011

Ben Bernanke
Chairman
Federal Reserve board
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Proposed rules on Debit Card Interchange Fees, Docket No. R-1404

Dear Mr. Chairman:

As you prepare final rules to regulate debit interchange fees, I would urge you to clearly exclude benefit card programs linked to flexible spending accounts (FSAs), Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs).

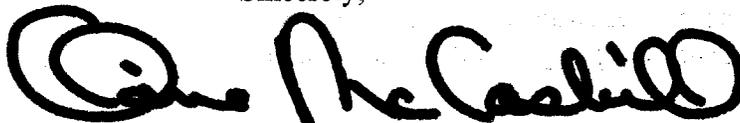
As you know, Section 1075 of the Dodd-Frank Wall Street Reform Act required the Federal Reserve to set maximum rates for debit interchange fees. That section did not allow the Federal Reserve to consider costs beyond the "payment, clearance, and settlement" of a transaction in setting maximum rates.

As you know, I have broad concerns about Section 1075. I am concerned that the rules will not allow banks to recoup the full cost of their debit card programs, forcing them to either curtail service or impose new fees on consumers.

These concerns are particularly valid for benefit cards linked to FSAs, HSAs, and HRAs, because those accounts have particularly high administrative costs, such as validating that items purchased are allowable expenses, that are not associated with ordinary debit cards. Recognizing this, Senator Chris Dodd, as well as Representatives Larson and Frank, both inserted colloquies in the Congressional Record stating the intent of the Congress to exempt benefit cards from the new interchange rules.

In light of the unique features of benefit cards, as well as explicit Congressional intent, I would urge you to make clear that benefit cards are exempted from the new interchange rules.

Sincerely,



Claire McCaskill
United States Senator

555 INDEPENDENCE
ROOM 1600
CAPE GIRARDEAU, MO 63703
(573) 651-0964
FAX: (573) 334-4278

915 EAST ASH STREET
COLUMBIA, MO 65201
(573) 442-7130
FAX: (573) 442-7140

4141 PENNSYLVANIA AVENUE
SUITE 101
KANSAS CITY, MO 64111
(816) 421-1639
FAX: (816) 421-2562

5850 DELMAR BOULEVARD
SUITE A
ST. LOUIS, MO 63112
(314) 367-1364
FAX: (314) 361-8649

324 PARK CENTRAL WEST
SUITE 101
SPRINGFIELD, MO 65806
(417) 868-8745
FAX: (417) 831-1349