

Proposal: 1818(AG67) Debit Card Interchange Fees and Routing

Description:

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From: Jennifer Beorkrem

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Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Secretary Misback,

I'm writing today to express support for your proposed rule to reduce the interchange fees merchants pay banks to accept debit card transactions. In fact, I think the Fed should reduce the rate to \$0.00. Cash and checks are free to exchange and now that we are well into the digital age, there should be a way for businesses to digitally exchange currency with customers for free.

As a small business owner, the costs of payment acceptance are my third highest operating expense totaling nearly 2/3rds of what I paid in rent for two prime locations in the City of Chicago. Consumers in an urban area like Chicago are not comfortable carrying cash, even though they are conscious of the card fees small businesses have to pay. It's a shame they are faced with the choice of risking personal security as they walk down the street vs costing their favorite businesses lost revenue.

In short, large banks have been allowed to overcharge merchants for debit transactions for more than a decade. This surely contributed to big banks reporting record profits during the same period. And importantly, as envisioned by the rule's exemption, small banks were protected. According to the Fed's reporting, banks under \$10 billion in assets continue to collect interchange higher than the regulated rate; sometimes as much as 3x higher for debit interchange.

The proposed reduction is a good start, but the Board should go further in the final rule. I strongly support option #5 in questions two and three. Reducing both the base component and fixed multiplier will ensure the rate is both reasonable and proportional to the largest issuer costs while still guaranteeing them a healthy profit. Finally, I urge the Board to remove the ad valorem component to create some fairness in the market. Today, I must pay for any fraud liability assigned to me. It is highly inappropriate for me to also pay for the issuing bank's portion of the fraud. Particularly when these banks are worth hundreds of billions, even trillions of dollars.

For these reasons, it is essential the Fed move to finalize the new rate and consider reducing the rate even lower. This will bring much needed relief to my business, my customers and other small businesses.

Sincerely,
Jennifer Beorkrem
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