



February 8, 2024

SENT VIA E-MAIL

The Hon. Neel Kashkari
President
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, MN 55401

President Kashkari:

We are writing to you as the CEOs and executive directors of trade associations representing retailers, grocers, convenience stores, restaurants, hospitality, and small businesses within the Minneapolis Federal Reserve District. We express our support for the Federal Reserve Board's proposed rule aiming to revise the debit card regulated rate and establish a two-year rate adjustment cycle.

While we appreciate the positive direction this proposal takes, we note that the Federal Reserve's own data indicates that the cost for processing a debit transaction for banks is 3.9 cents, significantly lower than the proposed interchange rate of 14.4 cents. With these facts in mind, we remain optimistic that the Federal Reserve's recommendations can be easily implemented.

Our industries are dedicated to serving all customers, regardless of their payment method. However, the substantial increase in card usage during and post-pandemic has unintended consequences. Our customer-facing industries incur swipe fees when accepting credit and debit cards, impacting U.S. consumers as these fees are often incorporated into pricing decisions. This disproportionately affects lower-income Americans and those reliant on cash.

Our members represent everyday Americans, small business owners, and Main Street storefronts, contributing to our communities by employing our neighbors and supporting local economies. The 2010 Dodd-Frank Act mandates a review and adjustment of the regulated rate for debit card transactions to be "reasonable and proportional." Merchants across the country appreciate the Federal Reserve Board's step in the right direction, marking the first revision since the law's implementation in 2011, and establishing a every two-year update process.

When the base interchange rate of twenty-one cents was set in 2011, the Fed found that banks' average cost to process a debit transaction was 7.7 cents. However, the Fed's every two-year survey data reveals a decrease in banks' costs over time--3.9 cents as of the most recent [2021 data](#). The proposed 14.4 cent maximum base rate significantly exceeds the Fed's data indicating a transaction cost of 3.9 cents.

Operating within a highly competitive environment with razor-thin profit margins, sometimes averaging between 1-2% per year, the proposed maximum rate of 14.4 cents does not alleviate this unequal cost burden. We urge your support to ensure the implementation of the Federal Reserve's proposed rate, benefiting all consumers, small businesses, and merchants nationwide, particularly within the Ninth District.

Thank you for your attention to this matter, and we appreciate your ongoing efforts to support the economic well-being of our communities.

Sincerely,

John "Jiggs" Dyste, President
North Dakota Grocers Association

Brad Griffin, President
Montana Retail Association
Montana Restaurant Association

Tim Gross, Executive Director
Fueling Minnesota

William J. Hallan, President & Chief Executive Officer
Michigan Retailers Association

Kristine Hillmer, President & CEO
Wisconsin Restaurant Association

Lance Klatt, Executive Director
Minnesota Service Station and Convenience Store Association

Bruce Nustad, President
Minnesota Retailers Association

Nathan Sanderson, Executive Director
South Dakota Retailers Association
South Dakota Grocers Association
South Dakota Hospitality Association

Brandon Scholz, President & CEO
Wisconsin Grocers Association

Jamie Pfuhl, President
Minnesota Grocers Association

Angie Whitcomb, President & CEO
Hospitality Minnesota