

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

Description:

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From: Ralston Valley Canine, Tiffany Terroux

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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 even lower than the proposed \$0.17.

As a small business owner, the costs of payment acceptance are my second highest operating expense and quickly rising. In 2021, merchants like me paid almost \$32 billion to accept debit cards in the United States, a 19% increase over the prior year. This increase is due to more consumers using cards instead of cash and high network fees.

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,

Tiffany Terroux
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