

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

Description:

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From: Kristi Gibson

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

Comments:

Date: Feb 28, 2024
Proposal: Regulation II: Debit Card Interchange Fees and Routing [R-1818]
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First name: Kristi
Middle initial:
Last name: Gibson
Affiliation (if any):
Affiliation Type: Commercial (Com)
Address line 1:
Address line 2:
City:
State:
Zip:
Country: UNITED STATES
Postal (if outside the U.S.):

Your comment: I'm the owner of a small, secondhand bookshop in Catskill NY. I serve a wide variety of people in my community from all demographics. When I first opened my shop 10 years ago, only 30% of my sales transactions were through credit cards. Now it is much closer to 75% and rising every year. Credit/debit card transaction fees have become a significant annual expense for many small businesses. In my case, they now equal a month's rent. As a bookshop serving communities in the Hudson Valley of upstate NY [and employing 3 individuals], I write to urge you to reach out to the Federal Reserve Board of Governors and particularly Governor Michael Barr, Vice Chair for Supervision (overseeing the payments function) to let them know that businesses in your region believe the proposed rule to revise the debit card regulation cycle is of the utmost importance. Not only is a change to this rule long overdue, but it is mandated by law. While I appreciate the Board's action to reduce the debit regulated rate and establish every other year updates, the proposed cap and methodologies used to set automatic updates do not fully reflect a "reasonable and proportional" level which has been demonstrated by the Federal Reserve's own research and data. As a business who accepts debit transactions as a valuable option for many of my customers, I ask that you take a critical look at the following aspects of the current situation in regards to the newly proposed rule: 1. Revise the debit card regulated rate and establish an every other year rate adjustment cycle to ensure a reasonable and proportional rate in relation to costs incurred by card issuers. a. This rate must include: base component of the transaction, loss fee, and a fraud prevention adjustment. 2. Review the fraud prevention adjustment, as Federal Reserve data shows that this burden has shifted to merchants over the last decade. 3. Review the discrepancy between the proposed rate of 14.4 cents versus the Federal Reserve's data showing that a bank's cost for a debit transaction is only 3.9 cents. 4. Recognize that a true "reasonable and proportional" rate as, required by the statute, should be considerably lower than the overall rate of 17.7 cent per transaction as proposed in the rulemaking. As a business owner I welcome and applaud the Board's action to review this imbalance in the current system. Banks and card issuers have been arbitrarily raising the transaction fee for years unchecked, with no thought as to how it would affect business owners and consumers in thousands of communities large and small. Thank you again for your attention to this rulemaking that is critically important to communities and businesses across the country. Sincerely, Kristi Gibson Magpie Bookshop, Catskill, NY