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April 8, 2024

The Hon. Neel Kashkari  
90 Hennepin Avenue  
Minneapolis, MN 55401

Dear President Kashkari:

I am writing today on behalf of the taxpayers of Prior Lake. I understand that the Federal Reserve is proposing a rule aimed at revising the debit card regulated rate and establishing a two-year rate adjustment cycle. I am writing to express support for the proposed rule change and to urge your support too.

Prior Lake accepts debit cards for enterprise items such as water, sewer, parks and recreation, etc. As a result, the City bears the burden of so-called swipe fees related to the cost of debit transactions, not unlike a retailer would.

We appreciate the Board's action to reduce the regulated rate and establish regular updates. It has been since 2011 that the rate was last adjusted. Much has happened since then. Banks costs to process payments have gone down dramatically, while the regulated rate charged to merchants (in this case the City of Prior Lake) for the same debit payment has not been adjusted until this proposed rule.

The 2010 Dodd-Frank Act mandates a review and adjustment of the regulated rate for debit cards be "reasonable and proportional" in relation to the costs incurred by the card issuers and must be adjusted as the costs to banks fall.

In your capacity as President of the Federal Reserve of Minneapolis, a position you have held with distinction, please share with the Board of Governors that having a reasonably priced access device to our payment system is important and that we view this proposal as a step in the right direction. However, the Fed's own data shows that banks' costs for processing a debit transaction is 3.9 cents, considerably lower than the 14.4 cents proposed for the base component rate.

Thank you for your attention to this rulemaking that is critically important to communities like ours across the country. I hope there is understanding by the Federal Reserve that a true "reasonable and proportional" rate be applied through the rulemaking process.

Sincerely,

Kirt Briggs, Mayor

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