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President's Office

February 26, 2024

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

Dear President Kashkari:

As a small business owner in south Minneapolis, I am writing you today to express my support for the Federal Reserve Board's proposed rule aimed to revise the debit card regulated rate and establish a two-year rate adjustment cycle.

My business, 36 Lyn Refuel Station, is a convenience store located, as I believe you are aware, at 36 and Lyndale Ave. S, part of the city that has undergone many challenges in recent years. While I'm still in business, it hasn't been easy. I'm dedicated to my customers and patrons in this part of the city, customers that have come to rely heavily on use of debit cards, in the post-pandemic era. Swipe fees associated with these debit cards transactions have become burdensome to my business. The last thing I want to do is pass along prices increases to my patrons, especially those lower income patrons who rely on debit cards, in order to accommodate swipe fees paid to banks.

I appreciate the Board's action to reduce the debit regulated rate and establish updates every other year. However, the proposed cap and methodologies used to set automatic updates do not fully reflect a "reasonable and proportional" level as mandated by law.

Since the current debit regulated rate went into effect in 2011, banks' costs to process payments have gone down dramatically, while the regulated rate charged to merchants for the same debit payments have never been adjusted until this proposed rule. As the law makes clear, if debit rates charged to merchants like me are collectively set they must be "reasonable and proportional" in relation to costs incurred by the card issuers and must be adjusted as the costs to the banks fall.

The Fed's own data shows that banks' costs for processing debit card transactions is 3.9 cents, considerably lower than the proposed rate of 14.4 cents. Furthermore, the proposed rate includes an additional 1.3-cent fraud prevention fee and .04% fee on each transaction

to cover banks' fraud losses, despite Federal Reserve data indicating that the fraud burden has continued to shift away from the banks and onto the merchants.

Thank you for your attention to this matter. It is critically important that a true "reasonable and proportional" rate as required by statute should be established and considerably lower than the overall rate of 17.7 cents as proposed in the rulemaking. Finally, it is also important that adjustments are made to the rate every other year once a fair formula is set.

Sincerely,

A handwritten signature in cursive script, reading "Lonnie J. McQuirter". The signature is written in black ink and is positioned above the printed name.

Lonnie McQuirter, Director of Operations, 36 Lyn Refuel Station