

May 13, 2010

**Vote "YES" for Durbin Amendment to protect your neighborhood grocers from out of control debit card swipe fees and unfair card company business practices**

As part of the debate over S. 3217, the Restoring American Financial Stability Act of 2010, Senator Durbin will offer an amendment to ensure the fees charged on debit card transactions are reasonable and proportional to the cost of doing business, and to promote competition by limiting the anti-competitive restrictions payment card networks impose on large and small businesses alike.

Just last month, Visa Interlink, Visa's PIN debit network raised rates on the supermarket industry by roughly 30% without any justification. The grocery industry operates on razor thin profit margins of not much more than 1% so the latest increase is going to have a crippling effect on our industry. Debit card payments are quickly replacing cash and checks as a preferred form of currency. When customers pay with their debit card there is no risk of non-payment, and when a customer enters their PIN (personal identification number) there is almost no risk of fraud-roughly 1 basis point or 0.01% on every dollar spent. We understand there is a cost of doing business involved with accepting debit cards; we just want to be sure that cost is fair and reasonable. We strongly support amendment # 3989 as it would give the Federal Reserve the authority to assess whether debit card swipe fees are reasonable and proportional to the cost of doing business under the current system.

The amendment provisions on debit card fees exempt banks with less than \$10 billion in assets. At a \$10B exemption, 99% of banks would be exempt (all but 86), 99% of credit unions (all but 3) would be exempt, and 97% of thrifts would be exempt (all but 19). This provision would only affect the largest 1% of banks who collect over 80% of all interchange swipe fee revenue.

Additionally, amendment # 3989 would promote competition in a market where there is none. Currently, retailers are constrained by hundreds of pages of Visa and MasterCard network rules that place restrictions on how a merchant chooses to run their business, and if those rules are broken, the card networks have the ability to threaten merchants with upwards of \$5,000 a day fines - a terrifying threat for many small businesses. One practice this amendment would allow is discounting for cheaper forms of payment (i.e. cash, checks, or even debit cards should they return to reasonable fee levels) and discounting for lower cost payment

card networks (i.e. Discover) both of which would provide a direct and immediate benefit to our customers. Nothing in this amendment says merchants would be able to discriminate between cards based on which bank issued that card so if a merchant accepts Visa, they must accept all Visa cards issued from their community banks and credit unions.

Another practice this amendment would permit is the ability to set minimums for a card purchase. Currently, many merchants are losing money on transactions of \$2 or less since the flat fee portion of swipe fees are so high. We're hopeful that having just the ability to set minimums, even if many merchants choose not to do so, would help correct inefficiencies like these in the credit and debit card market.

On behalf of our nation's supermarket retailers and wholesalers, and the families who shop in our stores every day, we strongly encourage your support for Amendment # 3989. This amendment is a tremendous step toward meaningful swipe fee reforms, which will benefit Main Street merchants across America and the customers we serve in our communities every day.

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