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## 'Swipe Fees' Continue to Divide Retailers, Banks

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**Proposed rules limiting the amount of fees banks can charge for debit cards has businesses and banks at odds with each other.**

By Walt Williams

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Should you kiss your debit card goodbye?

A campaign funded by the banking industry is telling consumers that's exactly what they should do if proposed federal rules go into effect limiting the amount of fees banks can charge for the use of debit cards.

Say goodbye to rewards programs. Say hello to higher fees and more restrictions on the use of cards. And free checking could become a thing of the past.

But retailers counter the banking industry is exaggerating what would happen if the proposed rules go into effect. They say the fees don't reflect the real cost of making a debit card transaction, and that perks such as rewards programs and free checking come at a higher cost than banks let on.

"We argue consumers already paying this because we have to pass it on," said Mike Graney, president of the West Virginia-based One Stop convenience stores.

Banks and credit card associations charge interchange fees — also called "swipe fees" — every time consumers use their credit or debit cards to make purchases. The fee amount varies depending on the institution and what services are being purchased.

Visa, for example, lists three pages of fees on its website. For purchases from a "preferred retail," Visa charges a fee of 1.55 percent of the purchase price plus 15 cents. However, the fees for a restaurant purchase using a debit card results is 1.19 percent of the purchase price plus 10 cents.

Retailers argue that swipe fees are too high and eat away at their profits, forcing them to raise prices. Graney said his stores make only pennies off of fuel purchases as a result, and they make barely any money at all on some small purchases within a store.

"It doesn't seem reasonable we have to do all the work and the credit card companies are making more money than we are," he said.

Congress weighed in on the matter when it passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. An amendment added to the bill known as the "Durbin amendment" ordered the Federal Reserve to develop "reasonable" limits for interchange fees.

The Fed drafted a plan to cap interchange fees at 12 cents per transaction, according to the nonprofit journalism organization ProPublica. By contrast, banks currently earn around 44 cents for every transaction.

Those new limits were supposed to take effect April 21, but the Fed received so many comments it has delayed implementation of the rules until all the comments could be reviewed, according to news reports.

The banking industry, in response to the Fed's potential actions, launched a campaign to warn consumers of what it says will be the harmful effects of the proposed limits.

The Electronic Payments Coalition asked people through Twitter to help “Save My Debit Card” by tweeting how their debit cards are important to them. The industry also is funding a “Don’t Make Us Pay” campaign telling customers they could lose perks such as free checking and rewards programs for card purchases.

The Electronic Payments Coalition didn’t return phone calls seeking comment, but its spokespeople have previously told The State Journal the fees accurately reflect the cost of conducting the electronic transaction. It also states on its website the Fed was not allowed to consider any cost that was not directly applied to the transaction, which doesn’t reflect the true cost of the transaction.







A recent paper published by the libertarian Cato Institute sides with the industry, calling the fee limits “a radical effort to extend to areas which it has never been attempted before.”

Author Richard Epstein of the New York University Law School questioned the regulation’s constitutionality, writing “it imposes confiscatory regulation by the deep and dramatic cuts that it makes into the rate of return of the firms that have invested in debit card technology on the assumption that they could have a fair opportunity to recoup their original investment over time.”

But for many of the businesses that must pay the fees, a cap only makes sense. Jan Vineyard of the West Virginia Oil Marketers and Grocers Association said it was the No. 1 issue facing her organization’s members.

“Interchange fees one of the fastest growing costs most retailers see,” she said.

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