



Senate lets the Fed slash debit card fees paid to banks

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By [Ledyard King](#), USA TODAY

WASHINGTON — [Main Street](#) out-muscled [Wall Street](#) on Wednesday as the Senate reaffirmed its support of limits on what banks can charge businesses for debit card transactions.

After weeks of furious lobbying and aggressive ad campaigns, retailers cheered defeat of a measure that would have forced a one-year delay and re-examination of the caps on what are known as "swipe fees." The measure needed 60 votes for passage but fell six votes short.

As part of financial system reforms Congress adopted last year, the [Federal Reserve Board](#) was required to draw up rules that limit to about 12 cents what banks can charge retailers for every debit card transaction they process, no matter the size of the purchase. Banks now collect 44 cents on average.

Cap supporters say Wall Street banks amass billions in profits each year from the fees, at the expense of small businesses and their customers.

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"It's an outrage to make consumers across

America pay this. They pay it every time they use their debit cards, and the merchants and retailers who collect it have no voice," said the cap's chief proponent, Sen. [Dick Durbin](#), D-Ill.

But opponents say the cap will hurt consumers in other ways, notably through higher fees on checking accounts, [ATM](#) transactions and other bank-related services. Although smaller institutions (those with fewer than \$10 billion in assets) would be exempt from the new rule, they could still suffer, opponents argue.

At a hearing earlier this year, Federal Reserve Chairman Ben Bernanke said retailers might reject cards from smaller banks that carry higher fees. And he said questions remain about the viability of setting up a two-tier fee system.

Sen. [Jon Tester](#), D-Mont., who led the fight for the delay, along with Sen. [Bob Corker](#), R-Tenn., said that could mean banks in rural communities could go out of business.

"We probably won't lose too many banks in

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Washington, D.C., or Chicago, Illinois. But we will in rural America," Tester said.

The new fee structure is scheduled to take effect in July. Tester's proposal, which had broad bipartisan support, would have delayed that for a year and required the Fed to study whether banks could recoup the true cost of processing debit card transactions if they received no more than 12 cents for each one. Banks said they wouldn't.

The Fed also would have studied the effect of the new system on smaller banks.

Consumer groups have been torn on the issue.

The [Consumer Federation of America](#) has raised concerns that bank customers may face other fees and said banks should be reimbursed for legitimate costs. But the group opposes the current swipe-fees system, calling it "uncompetitive, non-transparent and harmful to consumers."

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