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Cost of credit: Retailers push to rein in card transaction fees

Nashville Business Journal - by [Brian Reisinger](#) Staff Writer

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Mike Embree appreciates every customer who walks into his Berry Hill needlework supplies and framing store, **Stitchin' Post**. He appreciates cash-paying customers even more.

"I try to talk them out of it," Embree said of customers waving their credit or debit cards. "But I'd rather have the credit card than nothing."



James Yates, Nashville Business Journal

Pat Embree, left, co-owner of Stitchin' Post in Berry Hill, rings up a purchase by Dean Reeves of Green Hills. The crafts retailer paid more than \$5,200 last year in fees to accept debit and credit cards.

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Merchants pay fees to accept plastic in their stores, spurring a long-running debate that is heating up as Congress considers financial reform and even creating a market for companies that ferret out ways for retailers to save money on the charges. Whether reform changes the credit and debit card industry will impact virtually every business that accepts credit or debit cards, as well as a myriad of financial companies.

At issue are the fees that merchants — from small hobby shops to gas stations to big-box retailers — pay every time customers swipe their cards. The various "swipe fees" merchants pay can include set amounts or percentages of sales, tied in part to interchange fees set by credit card companies such as **Visa** or **MasterCard**, but also to the processing and sales companies that deliver the service.

U.S. Sen. Dick Durbin, D-Ill., is pushing a provision that would reduce interchange fees on debit cards and shield merchants from the potential of being penalized for offering discounts to cash-paying customers or turning away plastic on small purchases.

Durbin argues his proposal will ease the burden for small businesses that "get shortchanged" by accepting debit cards, but retailers hope for stronger action.

It's a matter of cents that add up quickly. Embree said he pays a 25-cent fee and 1 percent or more of a sale to process a debit card transaction, resulting in about \$5,200 in 2009 and the third highest cost for his business after rent and payroll.

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Both Embree and Marty Lang, president of The Transmission Store of Nashville, have lobbied state and federal officials to limit fees and increase transparency, despite their instincts against inviting government into the market.

Reform, however, would squeeze profits for financial service firms that supply the cards, process payments and sell the service to retailers, guaranteeing payment for merchants who accept plastic.

Visa and MasterCard warn tampering in the market will force financial institutions that carry their cards to reduce services or pass costs on to customers. The effort is "an attempt by retailers to increase their profits at the expense of consumers," Visa said in a statement.

As companies on both sides of the issue watch Congress, others are finding ways to better navigate the fee market. Robert Livingstone, president of Florida-based Ideal Cost, is looking to expand his services to Nashville-area merchants.

Ideal Cost helps companies reduce fees by updating technology, making sure they have adequate security checks and negotiating with processing firms that deliver credit services to merchants.

"(Merchants) are not armed with the information that they need, and the processor can really take advantage of them," Livingstone said.

Financial reform

Congress is considering sweeping financial reform. Here's the latest on efforts regarding credit and debit card fees:

- Sen. Dick Durbin, D-Ill., has proposed reform that would task the Federal Reserve with ensuring that interchange fees for debit cards are "reasonable and proportional" to actual processing costs. The legislation does not address credit cards, though Durbin also has proposed broader legislation that would.
- Durbin's amendment passed with the Senate's financial reform bill, which follows a bill by the U.S. House of Representatives. Congress must merge the two bills before sending them to President Barack Obama.

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