

June 7, 2012

The Honorable Jon Tester  
United States Senate  
724 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Tester:

Thanks to debit card swipe fee reform, thousands of merchants across Montana are finally seeing relief from the extraordinary fees they once faced every time customers swiped a debit card. While the reforms were threatened a year ago by the delay effort you led, that effort thankfully failed and today, merchants and consumers are saving money as a result.

During the repeal debate, reform opponents argued that the reforms, if implemented, would hurt small banks and credit unions, institutions explicitly excluded from the reforms. Opponents also argued that attractive bank promotions, such as free checking, would disappear and be replaced with higher fees for all. As we predicted neither threat has proven true.

A report released last month by the Federal Reserve studied how banks and credit unions have been affected by the reforms. The report showed that as the law intended, institutions with less than \$10 billion in assets have been untouched by the reforms. In fact, the reforms, which were narrowly focused on the problem banks and card networks, have ultimately strengthened the ability of community banks and credit unions to compete against their big bank rivals.

The Federal Reserve report found that while the fees that the largest banks charge merchants when customers use a debit card dropped from an average of 43 cents per transaction to 24 cents, the fees charged by exempted community banks and credit unions remain at 43 cents. The report also found that the reforms have resulted in a competitive advantage for these exempted institutions, allowing them to compete for a larger share of transactions.

The Fed's data reinforces similar reports from Montana banks who have reported continued growth of debit card swipe fees.

**First Interstate BancSystem**

“Other service charges, commissions and fees increased during the three and twelve months ended December 31, 2011, as compared to the same periods in 2010, primarily due to increases in debit and credit card interchange income and ATM service charges resulting from higher transaction volumes.

“Although regulations became effective on October 1, 2011 that reduced the maximum allowable debit card interchange fee per transaction for large issuers with over \$10 billion in assets, the Company qualifies for the small-issuer exemption.”

(Press Release, “First Interstate Bancsystem, Inc. Reports Preliminary Results for Fourth Quarter 2011,” 1/30/12)

**Glacier Bancorp**

“Service charge fee income increased \$253 thousand from the prior year first quarter primarily due to the gain in debit card income as a result of the larger number of deposit accounts and greater volume of transactions.”

(Press Release, “Glacier Bancorp, Inc. Announces Results for the Quarter Ended March 31, 2012,” 4/19/12)

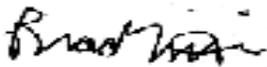
As for the threat that consumers would face higher fees, the facts again prove the opposite true. A survey conducted by Moneyrates.com found that in the second half of 2011 39% of banks offered free checking, up from 35% during the previous six months. Also, for those banks that still charged a fee, the average fee fell from \$11.75 to \$11.28 and the minimum balance required to avoid fees fell from \$412.53 to \$391.41.

This is great news for Montanans as our banks and credit unions get stronger and the intense competition among merchants push debit savings onto consumers in the form of lower prices, better service and other new benefits

Senator Tester, debit swipe reforms are working. Montana’s merchants and consumers are saving money and our local banks and credit unions are thriving. As the market continues to adapt to the reforms, the benefits will only grow, and as they do the wisdom of extending these reforms to credit cards will be irrefutable.

On behalf of the thousands of Montana merchants that make up the backbone of our local economy and the customers they serve, we sincerely hope to have your support in the months to come as we seek greater transparency and competition in the electronic payments market.

Sincerely,



Brad Griffin  
President  
Montana Retail Association



Ronna Alexander  
Executive Director  
Montana Convenience Store Association