

From: Frank Wilber
Subject: Reg I I - Debit card Interchange

Comments:

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Name: Frank Wilber
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country:
Zip:
PostalCode:

Comments:

I am writing this comment with regard to the proposed change to "lower fees" charged to retailers (interchange fees). It's only fair to share with you that I was opposed to the Durbin Amendment because of this particular item being included in the amendment. It is clear that there is a lack of understanding as to the importance of this income to many financial institutions and, therefore, many individuals. First and foremost, interchange income helps financial institutions cover the costs and risks inherent in providing debit cards to their members and/or customers. Under the rules in place today, merchants generally have no liability with regard to transaction fraudulently made through the use of the debit card. The financial institution that issued the card carries the expense of the loss. When TJ Maxx compromised customer data, financial institutions suffered hard losses - including cash losses attributed to the subsequent fraudulent transactions, card reissue costs; soft losses - hundreds of hours of employee time; and reputation losses - members felt as though their financial institution allowed fraud on their accounts. Across the aisle, merchants unintentionally benefited. All sales made on these fraudulent cards helped their sales numbers. They had guaranteed payments that they paid a fair price to receive. The system tends to work. Pass this proposal, and the system will fail. Financial institutions will be forced to make changes to how they operate, with most changes negatively impacting the consumer. First, free checking will be a thing of the past. Consumers, whether they use a debit card or not, will be forced to pay a fee to cover the aforementioned risk. As several will be opposed to paying a fee for something that has been free for years, many additional Americans will go unbanked. Second, debit cards will systematically be eliminated by banks. Credit Cards will be available to those that qualify and Credit Card programs that replicate current debit card programs will be the next big thing - as Credit Card income is unencumbered by the current proposal. The problem is that many Americans will

not qualify for the cards, causing even more Americans to go unbanked. Finally, banks will lower saving rates and dividends paid to depositors. Consumers that never used a debit card will again feel the pinch. Unfortunately, consumers will not see much, if any, benefit from these changes, either. You know as well as anybody that retailers will simply not pass on the savings. In conclusion, it seems as though financial institutions provide a very necessary service to merchants for fair fees - considering everything that is included - and that limiting each card fee to a maximum of \$.12 will undoubtedly harm not just financial institutions, but also consumers and retailers in the long run.