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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Comments:
I have the unique perspective of working for a CU and owning a small business that accepts credit and debit cards for payment. This bill is supposed to benefit the consumer by lowering costs to the merchant and in theory; those savings will be passed to the consumer. I say this is a bogus concept for the following reasons. 1. Legislators do not take into account that Financial Institutions carry the brunt of expense handling disputes and fraud with card transactions and often absorb the cost of a card charge, and/or offer provisional credits at their own expense while disputes are being handled. This has a cost in lost revenue when credits are provided as a courtesy, in man-hours to handle these requests AND in fraud monitoring. All these activities have a cost. Merchants do not bear these costs. 2. The merchant is protected from any loss of revenue or expense that is card related as long as they have reasonable documentation that a charge was legitimately made and they took
reasonable precautions in accepting the card (like using the CVV code and matching the address on the card. They pay a fixed rate for the card processing service and their sales are significantly enhanced over refusing to accept cards. Merchants have the option not to accept cards and select other payment methods such as Cash, checks and Pay Pal. They have the option to offer a cash discount and shop around for a card processing service by price and service. While the Banks and Credit Unions absorb the cost of doing business with cards, they are now going to lose revenue that will in turn be handed to the merchant and in theory passed along to the consumer. The reality is that no merchant is going to lower any prices significantly because they pay less for credit card processing. Even if they were to lower costs a penny or two per item, the consumer will not see visible savings, but they WILL feel the new fees they receive from their financial institution, which will be forced to recover the income and pay for essential fraud and card related services as

mentioned above. The last point I would like to make is about the bigger picture of regulation. FI's were destabilized in many areas because of the economy, the mortgage crisis and the bail out. Immediately following all of that, and consumers that were frightened, loss of jobs and income, CU's had to pay huge assessments to bail out the Corporate Credit Unions, then CU's were hit with Opt-In legislation, resulting in further income loss. Now another revenue stream is being threatened right behind that last. How many mergers and failures would make the regulators happy? How many years will we be paying assessments because we are more stable and better managed? The last time you "protected me" on credit card legislation, one of my business cards lowered my limit and my other one went out of business. Thank goodness I had other lines of credit, but not everyone follows that sound of a business model. Credit Unions typically operate with the member as their focus and recent Regulation E changes protect the consumer from probably the biggest concern that existed. It still treats the average consumer like a child; but it made some sense because some FI's are more predatory than others. This legislation only interrupts revenue for the side of the transaction that provides member services and benefits and gives it to an entity that does not bear those risks or costs.