



FINANCIAL SERVICE CENTERS OF AMERICA, INC.  
A NATIONAL TRADE ASSOCIATION

February 22, 2011

*Via E-mail*

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Docket No. R-1404  
RIN No. 7100 AD63

To Whom It May Concern:

These comments are submitted on behalf of Financial Service Centers of America (FiSCA), the national trade association representing neighborhood financial service providers throughout the United States. Since its inception, FiSCA has been the leading voice on legislative, regulatory and business issues that affect its members and the rights of U.S. consumers to access basic financial services.

Our members, which we describe as “financial service centers” (FSCs), provide convenient access to a variety of financial products and services including check cashing, wire transfers, money orders, prepaid general-use stored-value cards, bill payments, small dollar loans, and ATM access. The FSC industry has 13,000 stores nationally that, each year, serve approximately 30 million banked and unbanked customers and handle transactions worth over \$100 billion. These customers use our locations for the advantages they provide: convenient locations, service and access to instant liquidity. Our customers typically are full-time employees in the low- to moderate-income brackets. Many are minorities. Our stores are located where our customers live and work and we offer extended days and hours of operations to accommodate our customers’ busy schedules.

We are commenting on the proposed rule on debit interchange (which implements new Section 920 of the Electronic Funds Transfer Act (“EFTA”)) because our customers often pay for our services with a debit card and some of our members offer debit products and services. Moreover, the use of debit products at FSCs acts as a gateway to other benefits, including the revolutionary NetSpend National Savings Program. This program, available through the NetSpend All-Access Card, allows FSC customers to obtain a no-fee, no minimum balance, FDIC insured savings account. These accounts currently pay interest at 5% per annum. The NetSpend National Savings Program has proven to be highly popular as a safe and secure vehicle for customers of FSCs. To date, more than 100,000 customers have established savings accounts through the NetSpend National Savings Program, and more than \$100 million have been deposited into these accounts. Furthermore, FiSCA believes that customers should have as many choices as possible through which to access financial services.

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Any aspect of the structure of the debit card network that makes it more expensive or burdensome for FSCs to facilitate the use of debit cards by customers should be proscribed. Accordingly, we urge you to ensure that FSCs are able to route debit transactions on the network of their choice. We also ask that cards offer at least two unaffiliated networks for each form of debit (PIN, signature, and ATM). Moreover, we urge you to implement all aspects of Section 920 by the July, 21, 2011 statutory deadline.

**I. Financial Service Centers Should Be Free to Route Debit Transactions on the Network of Choice.**

Section 920 of the EFTA is intended to address anti-competitive behavior by the dominant payment card networks and issuers that have led to high debit interchange transaction fees that are paid by merchants. Although the high cost of the debit transaction to the merchant is hidden from the consumer, merchants often pass these fees on to consumers in the form of higher prices. Moreover, even consumers that are not paying with a debit card are paying the higher price because network rules imposed by the dominant networks prevent merchants from giving discounts for other forms of payment.

FSCs charge customers for services on a per-transaction basis. The prices for all services are posted in the store. Customers often pay for services in FSC locations with a debit card. When a customer unloads a debit card or withdraws funds using an ATM, debit cards are accepted for payment. Customers may also choose to use debit cards to pay for a variety of other services including wire transfers, bill payments, and more. When a debit card is used, FSCs are charged a debit interchange transaction fee just like anyone else providing a good or service at the point-of-sale (POS).

The proposed rule implementing subsection 920(a) – which requires reasonable and proportional debit interchange transaction fees – likely would reduce our debit card transaction costs when the customer uses a debit card issued from a big bank. When a customer uses any other form of payment, subsection 920(b) ensures that merchants can route debit transactions (even when the debit card is issued by a small bank) on the least expensive network and that the merchant can offer a discount based on the form of payment used. Both subsections (a) and (b) would likely reduce our debit transaction costs and reduce the need to increase consumer prices.

We urge you to clarify in the final rule that FSCs are free to route debit transactions on the network of choice pursuant to subsection (b). This clarification would benefit our customers and is required by statute.

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Our customers – who are often in the low and moderate income brackets -- will benefit if FSCs are free to route on the lowest-cost network. The price FSCs charge customers to facilitate a debit transaction is closely tied to our costs, which include the debit interchange transaction fee. FSCs offer low-cost services, often only a few dollars per transaction. There is little room to maneuver when the cost of doing business increases due to the anti-competitive behavior of the dominant networks. Even a small increase in the debit interchange transaction fee creates a strong incentive to increase the price FSCs charge their customers.

Moreover, the broad statutory language in Section 920 of the EFTA provides that networks may not restrict the ability of “any person who accepts debit cards for payments” to direct the routing of the debit transaction for processing. Because we “accept debit cards for payments,” the final rule should clearly provide that financial service centers are free to route debit transactions on the network of choice.

## **II. Issuers Should Offer More Than One Unaffiliated Network for Each Type of Debit Transaction.**

The Federal Reserve has requested comment on whether issuers should be required to offer two unaffiliated networks for each type of debit transaction (at least two unaffiliated PIN networks and two unaffiliated signature networks) or whether it should simply require issuers to offer one PIN network and another unaffiliated signature network. FiSCA urges that issuers be required to offer at least two unaffiliated networks for each form of debit transaction. The customer is choosing the form of debit – signature debit, PIN debit, or ATM. The ability of FSCs to keep costs down (and thereby avoid raising prices) is dependent on having the choice of at least two unaffiliated networks for each form of debit transaction.

Consumer choice must be preserved. The consumer should have the choice between PIN or signature debit. And, after that choice is made, the FSC should have a choice between at least two unaffiliated networks. Otherwise, competition is hindered and prices likely will increase.

Requiring issuers to offer at least two unaffiliated networks for each form of payment should not be burdensome on issuers. In virtually all cases, the same networks that offer PIN debit functionality also offer signature debit functionality. The rule already requires issuers to contract with more than one of these networks. The cost of adding another type of debit functionality under that contract should not be significant.

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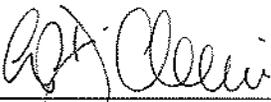
**III. The Exclusivity Prohibition and Limits on Network Routing Restrictions Should Take Effect in 2011.**

The Federal Reserve suggests implementing certain provisions, such as subsection (b), in 2013. We see no reason to delay implementation of any aspect of Section 920 beyond 2011. Consumers should enjoy the benefits from this rule as soon as practicable. Subsection (b) is simply addressing anti-competitive behavior by the dominant networks. There is no reason to let the anticompetitive behavior to continue for a number of years unfettered.

Thank you for considering our comments on this important rule. Should you require any additional information with respect to this matter, please feel free to contact us.

Very truly yours,

FINANCIAL SERVICE CENTERS OF AMERICA

By:   
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General Counsel