

February 22, 2011

Federal Reserve System Docket: R-1404

Debit Card Interchange Fees and Routing

MBank wishes to bring to your attention certain concerns regarding implementation of Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Durbin Amendment"). Rather than increasing competition in the debit card market and enhancing consumer protection, the proposed Federal Reserve Board rule implementing Section 1075 will harm consumers, limit innovation, and eliminate market efficiencies.

Debit cards are the most popular means of purchasing goods and services in the United States, and millions of consumers and merchants benefit from the debit card infrastructure developed by our member credit unions and banks. The proposed rule goes well beyond the requirements of Section 1075, creating a system of price controls.

These price controls will have anti-competitive impacts, the brunt of which will be borne by consumers through higher costs and restricted access to banking products. The benefits, however, will exclusively accrue to the largest retailers. Banks, unable to operate debit programs at a loss, will have to attempt to recover costs through other methods, including eliminating services. Merchants are not required to pass any cost savings to consumers, and small merchants are unlikely to see significant benefit. Additionally, small banks such as MBank stands to ultimately be harmed by the rule as the market and payments infrastructure responds to the debit rules.

The debit card payment system itself also will suffer. The proposed rule will stifle investments and innovations that would benefit consumers and merchants. Moreover, critical anti-fraud programs that reduce the risk of system failures and security breaches will be adversely impacted. If the Federal Reserve Board's proposal is adopted, debit availability for high transaction amounts and other types of transactions will be eliminated or curtailed, potentially in favor of higher risk payment methods.

Given its manifest harmful consequences, MBank urges Congress to delay implementation of the Durbin Amendment while it considers its full impact and the Fed's proposed rules. As a financial services provider, we are deeply concerned about Section 1075's impact on consumers, our community financial institutions, and other participants in the debit card system. We hope Congress thoroughly considers its consequences.

Sincerely,

Ron Shoemake
Executive Vice President
Chief Operating Officer
MBank