



July 28, 2004

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue  
Washington, DC 20551

Re: Notice of Study - Debit Card Disclosure Fees  
69 FR 29308 (May 21, 2004)

Dear Ms. Johnson:

America's Community Bankers ("ACB")<sup>1</sup> is pleased to comment on the Board of Governors of the Federal Reserve System's (the "Board") study regarding debit card disclosures<sup>2</sup>. The study focuses on the adequacy of disclosures provided to consumers by a card-issuing bank relating to the fees associated with a debit card transaction. The Board seeks comment on whether existing debit card transaction fee disclosures are adequate, and whether some type of enhanced disclosures should be considered.

### **ACB Position**

ACB believes that existing consumer disclosure requirements are adequate and that the Board should avoid making any recommendation that would require a major revision of the electronic funds transfer ("EFT") infrastructure.

### **Background**

A debit card is a type of payment card issued by a bank that results in an electronic debit from the cardholder's bank account upon settlement of a transaction such as a retail purchase or ATM cash withdrawal. Two types of debit card transactions exist: online and offline. Online debit card transactions require the use of a personal identification number to authenticate transactions that are then routed through EFT networks such as

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<sup>1</sup> America's Community Bankers is the member-driven national trade association representing community banks that pursue progressive, entrepreneurial and service-oriented strategies to benefit their customers and communities. To learn more about ACB, visit [www.AmericasCommunityBankers.com](http://www.AmericasCommunityBankers.com).

<sup>2</sup> 69 Fed. Reg. 29308 (May 21, 2004).

STAR, PULSE, and others. Offline debit card transactions may be initiated with a signature and are routed through the Visa or MasterCard credit networks. The Board's study focuses narrowly on merchant point-of-sale (POS) debit card transactions that have been characterized as "the fastest growing type of payment in the United States," which can occur in either an "online" or "offline" mode.

While the economic model of a debit card transaction is complicated, for the typical consumer, the fees associated with using a debit card at a merchant location fall into two basic categories: fees charged by the merchant, and those charged by the consumer's bank. Federal<sup>3</sup> law requires both merchants and banks to disclose clearly any fees prior to a debit transaction. As in the case with ATM surcharges, a merchant is free to charge a different fee at any location for a debit transaction providing the customer is given notice in advance of the transaction.

### **Existing Disclosures Are Adequate**

The existing electronic funds transfer infrastructure does not currently possess the ability to notify consumers at a POS terminal how much their bank will charge for a debit transaction. Unlike merchant charges or ATM surcharges that vary at every terminal, per item debit card transaction charges by the issuing bank represent an established set fee governed by the Electronic Funds Transfers Act ("EFTA"). Each bank makes its own determination what—if any—fees to charge its customers when they make a debit card transaction. These fees may vary based on the type of account relationship a bank has with the customer. Banks also may establish flexible fee-based systems that allow customers to receive a certain number of transactions for free. As such, in order to provide detailed fee information, each bank would have to interact with the EFT networks in a "real-time" mode to exchange information beyond basic account validation and balance information currently being exchanged.

Banks have a requirement pursuant to the EFTA to disclose their fees and any changes to those fees to their customers. These charges appear on monthly statements, so consumers have every opportunity to understand what these fees are, and to shop around if they feel they are too high. ACB believes that existing consumer disclosure requirements are adequate and that developing a system that would allow for the "real-time" exchange of fee information would represent a significant and costly change to the electronic funds transfer infrastructure that would result in increased transaction costs that would eventually be passed on to consumers.

### **Conclusion**

We appreciate the opportunity to comment on this important study. ACB supports the Federal Reserve in its efforts to ensure that consumers understand the fees associated with debit-card based transactions. We stand ready to work with Federal Reserve staff to provide any additional information that might be needed to complete this study. Please

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<sup>3</sup> Electronic Fund Transfers Act, 15 U.S.C. 1693.

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contact the undersigned at 202-857-3148 or via email at [rdrozdowski@acbankers.org](mailto:rdrozdowski@acbankers.org) should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Drozdowski". The signature is written in a cursive, slightly slanted style.

Robert C. Drozdowski  
Vice President  
Payments and Technology Policy