

From: Thomas E Lomax  
Subject: Reg I I - Debit card Interchange

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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing

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To Whom It May Concern; I am writing as a troubled consumer after reading Fed Docket No. R-1404. I understand that Senator Durbin's reasoning for adding Section 1075 of the Dodd-Frank Act would limit interchange to be "reasonable and proportional to the cost incurred by the issuer." In theory, this would lower the cost of goods to consumers from merchants. In my opinion and from the history of past US and Australian legislation, this will not be the result. As we have seen with recent Issuer regulations (Credit CARD Act of 2009), revenue lost through legislation will be made up through other revenue streams. Payments are applied first to higher interest balances on cards, rather than lower rates. While I have experienced great savings from this change, my credit limits have been slashed and requests for lower interest rates have been denied. The reasoning provided is for my "limited credit history." However, I find this to be an arbitrary reason as my credit score has only increased since the card was opened. This practice began occurring almost immediately after CCA of 2009. It should be noted, I do not fault the issuers for this practice. We have created a capitalist society, and this is how it operates. Issuers, Visa and MasterCard are in business to make money and please shareholders. Regulating costs for businesses will only result in new fees or billing structures. Additionally, the Reserve Bank of Australia (RBA) should be referenced heavily when looking at the effects of interchange regulation. Between March 2007 and February 2008, RBA estimates their interchange regulations saved merchants about \$1.1 billion Australian dollars. However, it seems that they cannot provide evidence that those savings were passed on to consumers.\* In the case of a publicly traded retailer, profits are everything. A major retailer could potentially increase profits by 1% at no cost. This would increase the price of their stock and please stockholders. The benefit of increased stock prices significantly outweighs the menial savings that could be passed on to consumers. As it stands, per Docket No. R-1404,

merchants pay an average of 1.14-1.53% of the transaction amount. As I see it, this is a cost of doing business for a merchant. Credit and debit cards offer convenience to merchants over cash and check. The merchant does not have to visit the bank as funds are deposited automatically. Also, credit and debit card acceptance limits errors in counting change. Merchants reap savings in labor and transportation relating to cash and check deposits. All records are kept electronically, so cash does not need to be counted or recorded daily. All around, credit and debit cards increase efficiency for merchants decreasing the amount of time spent keeping records and increasing the number of customers that can be attended to. Most important, customers spending on credit and debit cards have been proven to spend more than those with cash. I understand that this legislation has consumer support behind it. However, I feel that this support was provided under the guise of consumer advocacy. At my local Speedway and 7-11 there were petitions for customers to sign stating "Lower Credit Card Fees." What person in their right mind doesn't want lower credit card fees? However, merchants failed to present the fact that the fees they want lowered are their own. The system, specifically with regard to debit cards, is fair. Merchant's pay their share for the convenience of payments while consumers have the convenience of quick and simple payments. If consumer advocacy is the driver behind this legislation, credit card interest rates should be regulated further. This provides direct savings to those in need. I see this entire legislation as a way to increase profits for big business which has been presented to consumers under the guise of consumer advocacy. I urge you to rethink the effects that this may have on consumers and those already struggling to pay their bills. Thank you for your time and consideration. Thomas Lomax \*GAO-10-45 Credit Card Interchange Fees P.49