From: Peter B Butterfield

Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Comments:
Dear Board Members, I am the CEO of a small rural credit union. The concern I have regarding the impact of proposed changes to the
Interchange Fees goes beyond my concern for the bottom line of my credit union. I believe the impact of the proposed changes will ultimately have a chilling effect on the choices many of my rural members face. The following is a recent article from the Huffington Post which offers a better explaination for the potential impact of these changes than my huble pen can offer: As Predicted, Debit Fees Are Climbing Tim Chen CEO, NerdWallet Posted: January 26, 2011 03:33 PM The past two years have been chock full of financial industry regulation. It all started with the CARD Act in 2009, followed closely by the Frank-Dodd Financial Reform Bill and the much-debated Durbin Amendment. We've been tracking all the changes closely, and went on record in back in May 2010 to say that the Durbin Amendment would no doubt create new fees for consumers.
A few months later, we argued that efforts to regulate the profit margins of big banks will be futile, and that a greater regulatory burden for financial services firms would result in the widespread elimination of free checking accounts. We pointed out that there's nothing in any of the recent regulations that prevents banks from simply moving fee revenue around to other products. And then in August, when most big financial institutions reported their earnings and held investor calls, their CEOs and CFOs came right out and said all the same things that we'd been warning about. They all said unequivocally that were planning on passing on the costs of regulation through additional fees on services like debit cards, checking accounts, and charge cards. Jamie Dimon, CEO of JPMorganChase even quipped, "If you can't charge for the soda, you're going to charge more for the burger." The final stage of Congress's hair-trigger bacchanalia of regulation is unfolding right now, as the Federal Reserve fulfills their new mandate and tries to figure out exactly what they are going to do about debit interchange. At the moment they are soliciting

comment on a few proposals, such as capping debit interchange rates at 7-12 cents per transaction, and requiring cards to allow two to four possible unaffiliated networks for routing transaction. Any of these proposals would mean substantial reductions in profit margins for credit card issuers. The wait is over These issuers aren't sitting around waiting to see how it's going to turn out. All the predictions and rhetoric from the last couple of years are starting to come to life, and it's not looking good for consumers, especially those at the low-income end of the spectrum. As the Wall Street Journal reports, banks all over the country have already started adding new fees to services that most of us have long taken for granted as free. Their first target is debit cards, with some banks starting to charge annual fees of $25-30. Bear in
mind that they've spent the last few decades steering their customers towards debit cards as a cheaper alternative to checks. Some are also considering limited the number of transactions that debit cardholders are allowed in any given month, and even limiting the maximum size of any single purchase. Plus the debit rewards programs that many have grown accustomed to over the past few years will likely come to an end. So all those consumers who cut up their credit cards during the crisis, and vowed to stick with debit, will now have to face paying for their discipline with absurd fees. The Journal also warns that ATM fees are likely to rise, along with checking account fees. Minimum required balances to avoid monthly fees are rising at banks like Chase, where customers now have to maintain balances of $1,500 to avoid fees, as well as making at least one direct deposit of $500 or more. And Commerce Bancshares has started instituting a $2 fee for every check that customers write, trying
to push more of them towards electronic banking. This just covers checking accounts and debit cards, and doesn't even account for the higher annual fees and greater restrictions these same banks have been imposing on premium rewards credit cards for the past year or so. Will this create more unbanked Americans? The biggest problem with these changes is that they fly right in the face of low-income Americans. These are the people who have typically been forced to rely on prohibitively expensive alternative financial services, like prepaid debit cards, payday loans, and check cashing services. Now, they will no longer have any cheaper alternatives in the traditional banking industry. Increasing fees and minimum required account balances is a way of saying that only those with a lot of money should be allowed the convenience and security of using a bank. And raising the bar just means that more and more will fall under the heading of "unbanked." This is a problem that the DIC has lobbied
against for a while now, as they feel the banking industry doesn't do enough to reach out to and help the unbanked. And now Congress has made their job that much harder. Sincerely, Peter B. Butterfield Dakota Plains Federal Credit Union