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Subject: Reg II - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing
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Comments:

Members of the Fed Committee: The proposed rule of a safe harbor of .07 cents per debit transaction with a cap of .12 cents per transaction considerably understates the cost associated with the debit card program incurred by financial institutions. To regulate and set a fee associated with this program, the Fed must look at the entire picture of the program. One of the major costs associated with debit cards is fraud. Financial Institutions bear the cost of fraud that occurs with debit card usage. Merchants are currently liable for only a small portion of fraud that occurs - mostly online/mail/phone purchases and have zero liability otherwise. Financial Institutions use the interchange income to protect consumers from incurring fraud losses. That cost factor was not considered in the current proposal. The loss of interchange income will force financial institutions to look for other ways to cover the costs associated with the debit card program - more specifically to cover fraud losses that grow annually. The current proposal does not protect consumers. Merchants will not pass the cost savings down to the consumer; instead, consumers will be forced to pick up the costs of fraud in the form of higher banking fees. We strongly urge the Fed Committee to reevaluate the proposal and factor in all costs associated with the program. It is not realistic for interchange rates to only cover the cost of processing the actual transaction when there are much larger and more costly pieces of the program that must be considered.

Sincerely,

Tabitha McDonner
Southwest Airlines Federal Credit Union