Florida Bankers Association
Regulation II, Debit Interchange Fees and Routing (Docket No. R-1404)

On May 11, 2011, members of the Florida Bankers Association met with Governor Elizabeth Duke to discuss the Board's proposed rulemaking on debit card interchange fees and routing. Members of the Association generally expressed concerns about the cap on interchange fees in the Board's proposal. The Association provided written comments on interchange legislation, which are provided below.

"Bipartisan legislation, on the issue of interchange, has been filed in both the House and Senate. H.R. 1081 by Representatives Shelley Moore Capitol (R- WVA) and Representative Debbie Wasserman Schultz (D- FL) and S. 575 by Senator Jon Tester (D- MT) and Senator Bob Corker (R- TN) would to halt implementation of the Federal Reserve's proposed debit-card interchange rule, and require a study on the costs and benefits of debit card transactions, as well as the effects of regulating their interchange fees. Unless legislative action is taken, the proposed Fed rule would put in place a schedule of fees for debit interchange transactions that will reduce the debit interchange income that the average bank receives by over 70%! This will cause significant harm to bank's ability to serve their local communities.

The Durbin interchange amendment, that was included in the Dodd-Frank bill, directs the government to regulate the interchange fees on debit cards that businesses pay for the benefit of accessing the electronic payments system. The practical effect of this amendment, pushed by the retail industry, is to shift the cost of this service away from businesses to card customers.

As proposed by the Fed, debit card revenue will be slashed by 70-85%, with a reduction of industry revenue of over $14 billion. Without Congressional action, banks of all sizes will be faced with difficult choices, including: not issuing debit cards; raising checking account, debit card and other fees; closing branches; laying off employees, and/or limiting other services that their customers have come to expect. This lost revenue (which impairs capital growth) reduces the ability to make job-producing loans that support a growing economy.

The FBA believes the 'exemption' for banks under $10 billion will not work because merchants will drive business to lower-cost cards and accounts of larger institutions, forcing down the fees paid to small institutions that allow them to continue to compete. As revenue shrinks at smaller banks, so does their ability to make loans and recover millions of dollars of fraud losses from data breaches which occur at retailers. Fed Chairman Bernanke, FDIC Chairwoman Bair, and Acting Comptroller of the Currency Walsh have all expressed their concern about the viability of the 'carve-out,' and some have even suggested this may impact the safety and soundness of some institutions.

Studying and examining the costs associated with this proposed rule and not rushing into such a rule without input from the industry and others would be beneficial to all involved. H.R. 108/ S. 575 would give Congress and banking regulators time to understand how this rule will impact the banking industry and others.

We strongly urge support of this bipartisan, pro-consumer legislation."