

Proposal: 1818(AG67) Debit Card Interchange Fees and Routing

Description:

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From: Center for Black Equity and National Black Justice Coalition, Earl Fowlkes and David Johns

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Comments:

NONCONFIDENTIAL // EXTERNAL

March 14, 2024

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Powell,

On behalf of the hundreds of thousands of Black lesbian, gay, bisexual, transgender, queer (LGBTQ+), and same-gender loving (SGL) Americans we represent, we write to encourage you to study further the impact of the Federal Reserve's proposed rule that would lower the existing debit card interchange fee cap from 21 cents to just 14.4 cents on our communities before considering this rule change.

Founded in 1999 as the International Federation of Black Prides, the Center for Black Equity (CBE) was founded to build a global network of LGBTQ+ individuals, allies, community-based organizations, and Black Prides dedicated to achieving equality and social justice for Black LGBTQ+ communities through economic equity, health equity, and social equity.

Founded in 2003, the National Black Justice Coalition (NBJC) is America's leading national civil rights organization dedicated to the empowerment of Black LGBTQ+/SGL people, including people living with HIV/AIDS, through coalition building, federal policy change, research, and education.

Critical to our continued success has been advocating for policies that are designed to make our communities prosper, achieve economic sustainability, and build wealth. We are concerned that changes to Regulation II, as proposed by the Federal Reserve, would undermine the ability of the people we serve to achieve those goals. These changes would have dire consequences for millions of Americans, especially those in low- and middle-income communities. LGBTQ/SGL Americans often struggle to access traditional banking. According to the LGBTQI+ Economic and Financial (LEAF) Survey, nearly one in four LGBTQI+ adults in the survey reported being "unbanked"; this is almost four times higher than the nationwide rate (6%) of unbanked households, according to the Federal Reserve. And we know for Black LGBTQ/SGL Americans, these numbers are even more staggering.

The proposal poses a major threat to the national Bank On program, which is administered by the Cities for Financial Empowerment (CFE) Fund in partnership with cities across the United States. Bank On products offer safe and affordable accounts to support the financial stability of residents who do not have access to traditional banking services. Debit card interchange fees directly support Bank On accounts. Changes to Regulation II, as proposed by the Federal Reserve, would cause a nearly 30% decrease in the transaction fees that covered banks and credit unions may receive for each debit transaction, according to the American Bankers Association. Ultimately, this could make it difficult or impossible for banks to continue supporting the Bank On program - making it even more challenging to

address the un/underbanked issue in our communities.

CFE recently wrote to the Federal Reserve on this topic, noting that while Bank On products were designed to balance the needs of consumers, they must also be "economically sustainable for partner financial institutions, if not even somewhat profitable; " The group added: "We note to the Board that interchange fees are a relevant component of that market sustainability."

Bank On products have been gaining immense popularity, and this proposal would only derail ongoing efforts to expand these services. We urge the Federal Reserve to study the impact, spend more time reconsidering this rule, and instead embrace policies designed to decrease the unbanked population and put more of our constituents on the path to economic security.

Sincerely,
Earl Fowlkes
President & CEO
Center for Black Equity

Dr. David Johns
CEO & Executive Director
National Black Justice Coalition