

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

Description:

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Comment ID: 158372

From: Kish Bank, William P. Hayes

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Comments:

NONCONFIDENTIAL // EXTERNAL

To Whom It May Concern;

We appreciate the opportunity to comment on the Fed's proposal to lower the debit interchange price cap in Regulation II (implementing the Durbin Amendment). After 40 years as President and CEO of Kish Bank in Belleville, PA, earlier this year I stepped into the role of Executive Chair, but I am still active in the oversight of the bank's role serving the banking needs of our local communities. Kish Bank's origins date back to 1900 as a small rural institution providing secure access to the payment system for farmers, businesses, and individuals and families. Today, Kish is a regional community bank with over \$1.2 billion in deposits, and 270 team members serving over 35,000 businesses, farmers and households across 5 counties and 17 offices in central PA. I am writing to vigorously oppose the Fed's proposal to lower the cap on interchange fees by 30%, and additionally, protest the proposal to revisit the price cap every two years in the future.

Kish Bank maintains an intense focus on our role in elevating the quality of life in our communities. We support our employees engagement in community organizations with paid time off. In recent years they volunteered over 4000 hours to local charities. We sustain extremely active financial support for community efforts in support of 5 critical priorities: youth, community health, education, economic development and the agencies that support the most needy among us. Central to all that we do is our focus on delivering financial services and payment system access to all segments of our communities, including the elderly and low to moderate income households, small business, farms, and municipal and governmental entities. One of the greatest challenges we face is delivering low-cost deposit products to the full spectrum of our customer base. Those products include fundamental free checking that include more complex (costly to deliver) electronic and digital access, fraud prevention, and claims of fraud loss that banks everywhere must absorb, regardless of where breaches and hacks happen within the payments system, very rarely in banks. Our investment in fraud prevention has been one of our fastest growing expenditures in recent years.

One source of revenue that has helped to enable the provision of loss-leading checking accounts and payment system services is interchange fees collected in conjunction with debit card usage. When the cap on service fees was introduced 10 years ago, the lobbyists for the big box retailers (some of which created huge loss-leading data breaches) claimed the cap would create significant consumer savings. Of course, the reality was the cap simply enhanced the profitability of the large retailers.

At Kish Bank we pride ourselves on service to our communities, especially our capacity to sustain branch delivery and access to payment systems through a network of branches and services to our smallest rural communities. While branch closings have become the order of the day because of the need to reduce costs, we have managed to keep rural branches open as well as open new branches in small towns across our market. The Fed needs to recognize the impact of their decisions on America's community banks that serve the full range of banking needs across a wide spectrum of consumers, small businesses, and communities. But our resources are limited, and the Fed's analysis of the ultimate cost to consumers must be expanded to include that in-depth research. Until then, the

proposal should be withdrawn until the full impact has been assessed and there is a full appreciation of the real-world challenges facing America's banking system.

Thank you for your consideration of our strongly held views on this important matter,

William P. Hayes  
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