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

Description:

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From: Carol J. Roth

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

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

Comments:

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Proposal: Regulation II: Debit Card Interchange Fees and Routing [R-1818]

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Your comment: There is a difference between good intentions and good outcomes. Unfortunately, in the economic realm, ideas that sound good in practice produce outcomes that create unintended consequences and other issues. It is within that framework that I am writing in opposition to your proposal Regulation II: Debit Card Interchange Fees and Routing [R-1818]. Having written multiple New York Times bestselling books around unintended economic consequences and having been involved in the economic and financial sphere for nearly three decades, I don't believe the spirit of what you are proposing in further capping transaction fees, particularly after a period of historic inflation, makes sense or achieves objectives without creating serious consumer harm. The "spirit" of the original "Durbin Amendment" and the Fed's ensuing price caps was to "help small businesses, merchants, and consumers by providing relief from high interchange fees for debit card transactions." However, anyone in touch with reality knows that price controls don't work and produce undesirable economic consequences and studies have shown the Durbin Amendment was not an exception. Per a recent paper by Nick Bourke (source: https://deliverypdf.ssrn.com/delivery.php?ID=946099113093070105068075124016026090015022028045089092075002078099001100109104113127011017012000106100015119096068016117095074010050012092072088112071096021087017120054053012099124073095115025102067029083075125019077101065108073119073005125010071114119&EXT=pdf&INDEX=TRUE): "Economists confidently measured a drop in bank interchange revenue and an increase in fees consumers pay for bank accounts due to the Durbin Amendment. Monthly fees increased in an amount equal to 42 percent of the overall reduction in interchange revenue. Evidence suggests an additional, related increase in other service fees. Consumers experienced these price increases because, after the Durbin Amendment, monthly fees rose substantially, 'free' accounts with no monthly fees became less common, and it became harder to qualify for fee waivers because required minimum balances rose. Lower-income consumers likely bore a disproportionate share of increased costs." Savings predictably never found their way to consumers, who were hit with additional costs from financial institutions as dollars were transferred between institutions. Retailers benefitted, financial institutions found ways to make up for lost fees and the consumers were the ones to pay the price, both figuratively and literally. Considering yet another round of cuts will do more of the same; enrich the big institutions at the expense of Main Street consumers, particularly working-class and lower-income Americans who are now finding their services more limited due to these interventions. The way out of bad policy is not to double down on it and make it worse. The Fed should not be engaging in policy that will raise costs for the American people who are already burdened by an increased cost of living driven by Fed policy. The Fed should refrain from enacting a policy that would further drive low-income consumers out of the banking system while gifting more profits to corporations. Good intentions don't ensure good outcomes, and I hope you will reject this proposal. Respectfully, Carol Roth