

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

Description:

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From: Purdue University, Ronald J. Stephens

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Proposal: Regulation II: Debit Card Interchange Fees and Routing [R-1818]
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Your comment: Thank you for the opportunity to provide my thoughts on Fed Reg II, which would expand the existing price cap on debit card swipe fees. In 2011, when Congress first imposed an interchange fee cap, the Federal Reserve expressed concerns that such a policy would reduce credit availability for low-income Americans and decrease the availability of free checking accounts and debit card rewards throughout the country. At a hearing that year, Federal Reserve Board of Governors member Elizabeth A. Duke said she "could not find & help any study of another country's experience that offered convincing evidence as to the ultimate impact on consumers" and that the Federal Reserve's own discussion "indicates that we are unsure what those ultimate effects might be." Federal Reserve senior economist Mark Manuszak leveraged economic history to put a finer point on her concerns. He stated, "in Australia when the Reserve Bank of Australia lowered credit card interchange fees in their particular case, rewards for many cards went away and certain account fees and other terms got somewhat less attractive from the point of view of the consumers." Over the last ten-plus years, economists have made it abundantly clear that America's debit card swipe free price cap has fared just as poorly as those in other countries; and it has affected the African American community disproportionately more than others. Federal Reserve data has even demonstrated as much. Black Americans felt the negative affects more than most. They utilized the debit cards rewards that ultimately disappeared as a result of this cap at a higher percentage than other Americans. They also suffered tremendously more from the increased credit and account restrictions that came about because of this policy (restrictions which arose due to banks' need to make up for the lost revenue). Enough Black Americans became at risk of becoming unbanked after the 2011 price cap. This problem will only increase in size and scope if the Fed makes the price cap more severe today. I sympathize with (and appreciate) the administration's desire to find new ways to give low and middle-income Americans financial relief during the difficult economic times of the present day; however, doubling down on this swipe free price cap is not the answer. It will ultimately hurt the very people it is intended to help. I hope you examine the economic data surrounding this issue and ultimately choose to supplant this rule with other consumer-focused policies that will ensure positive, long-lasting effects for every demographic.

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