

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

Description:

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From: Consumer Action for a Strong Economy, Gerard D. Scimeca

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] [/p]

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Your comment: My name is Gerard Scimeca, Chairman of Consumer Action for a Strong Economy, a nonprofit organization dedicated to the singular cause of promoting consumer interests. I write to you in opposition to Regulation II. The overwhelming body of evidence has led my organization to conclude that the harm this rule inflicts on consumers far outweighs any purported benefits, and that Regulation II will further reinforce a policy that has resulted in too many consumers becoming unbanked and losing their debit card rewards. In 2011, at Congress' directive, the Federal Reserve imposed a cap on debit card swipe fees. Consumers were told that this policy, colloquially referred to as "the Durbin Amendment" after its principal backer, Sen. Dick Durbin (D-IL), would ultimately result in a savings to consumers. But, those anticipated cost-savings never came to fruition; indeed, in some instances this resulted in retail price increases on consumers. In 2011, even the Federal Reserve was skeptical that consumers would benefit from the Durbin Amendment. Elizabeth A. Duke, a member of the Fed's Board of Governors, expressed her dissatisfaction with the fact that the Fed and Congress did not "undertake a study to quantify the overall effect of this rule on consumers" before moving forward with the measure. She expressed concern that "one seemingly unavoidable impact of this rule" would be "higher fees on checking accounts" and "less availability of low-cost checking accounts offered to consumers." She was right. According to the Government Accountability Office, the price cap forced most banks and credit unions to eliminate debit card rewards and free checking, all while raising minimum balances and fees. This hurt low- and middle-income Americans the most, as they rely on debit cards and maintain low account balances at disproportionately higher rates than the rest of the country. Consumers lost while big box retailers profited handsomely, increasing earnings by over \$90 billion as a result of this government-imposed cap on swipe fees. Government intervention into the exchange resulted in a windfall for retailers and others while the benefits to consumers have yet to be identified. With all that we have learned from the first imposition of government price caps into swipe fees, we are surprised to see the Fed even considering expanding the Durbin Amendment through Reg II. In 2011, then Fed chairman Ben Bernanke acknowledged that the Durbin Amendment was controversial and stated that the central bank would monitor developments with it so that, if the rule did not work, "we'll know and then we can think about what else can be done." We hope that the Fed has sufficiently monitored these developments over the last 13 years and concludes that any efforts to enact Reg II should be jettisoned.