

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

Description:

Comment ID: 158556

From: Demetrius Terry

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

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

Comments:

Date: Feb 12, 2024

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

Document ID: R-1818

Revision: 1

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Your comment: Thank you for the opportunity to present my thoughts on Regulation II, a proposal by the Federal Reserve to institute further price caps on interchange fees for debit card purchases. I am deeply familiar with how income inequality harms vulnerable communities nationwide. As someone actively working to eliminate these inequities and end these disparities, I must oppose the adoption of Reg II. If adopted, it will further drive low-income Americans out of the banking system and make economic independence and prosperity for millions of Americans further out of reach. The Federal Reserve has done numerous studies into Americans who are "unbanked" or "underbanked." A recent inquiry found that approximately 4.5 percent of U.S. households, nearly 6 million, had no one in the household with a checking or savings account at a bank or credit union in 2021. African Americans, Hispanic households, and lower-income Americans had the highest rates of being unbanked. What keeps Americans from using the banking system? Primarily costs. The Federal Reserve found that

needing more money to meet balance requirements, as well as high fees, was a primary reason for the most vulnerable people in the country not utilizing the banking system. These Americans are forced to use some form of alternative financial services, such as check cashing services, pawn shop loans, auto title loans, payday loans, paycheck advances, and tax refund advances, to make ends meet. This hurts their ability to save securely, build a credit history, and access credit to purchase a home or start a new small business, perpetuating a cycle of financial insecurity and inequality. We must ask ourselves; will creating a tighter cap on debit card transactions lower costs and provide more access to the system? Or will it drive up consumer costs, chasing more lower-income Americans out of the banking system altogether? The answer is obvious and clear. It has been estimated that the first interchange fee price cap the Federal Reserve imposed in 2011 has cost lower-income consumers between \$1 billion to \$3 billion per year in higher out-of-pocket costs. In response, many banks eliminated free checking accounts, eliminated debit reward programs, and increased fees on checking accounts. Can anyone really argue that imposing tighter controls on debit card transactions won't have the same devastating results? Wealthy households would be able to avoid the further costs Regulation II would impose by using credit cards and increasing their checking balances. Lower-income Americans won't have this luxury. Adopting this rule will further drive inequities in the system. This regulation is a dead-end street. I urge the Federal Reserve to reverse course and stop hurting minority communities by adopting rules that will make access to banking, credit, and the American Dream more difficult.

Sincerely,

Demetrius Terry

New Jersey civil rights activist 2024 Rev. Dr. Martin Luther King Jr. Drum Major Award Honoree Former Executive Director for Greenville Health Access Coalition