

AFRICAN AMERICAN  CHAMBER OF COMMERCE  
OF WESTERN PENNSYLVANIA

Dr. Patrick T. Harker  
President  
Federal Reserve Bank of Philadelphia  
Ten Independence Mall  
Philadelphia, PA 19106

Dear Dr. Harker,

As the President of a full-service organization focused on continuously providing financial access and opportunity to over 642 African American business owners and professionals, I am compelled to write to you today expressing my profound reservations with a proposed rule from the Federal Reserve that would further lower the cap on debit card interchange fees.

While well intended, the reality is that when the Fed first capped debit card interchange fees in 2011, it ultimately hurt low- and middle-income communities, with particularly devastating effects on minority communities of color. In fact, a 2014 study from the Mercatus Center found that the Fed's debit card interchange cap reduced earnings at nearly three-fourths of community banks and credit unions. Of these institutions, roughly one-third reported facing a "significant negative impact," with loss estimates ranging from 7 to 30 percent.

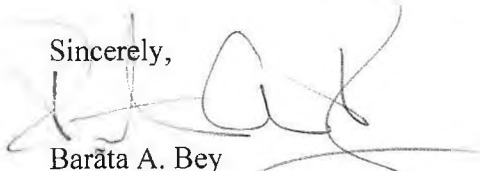
Who bears the brunt of this effect? The minority and low-income communities largely rely on community banks and smaller financial institutions. As recently as 2022, a study from George Mason University built upon previous studies and confirmed that the 2011 debit card interchange cap was responsible for leaving more than 1 million Americans unbanked. Debit card rewards virtually disappeared, and banks were forced to scale back free-checking accounts.

In nearly all examined cases, issuers were reported to have reduced the rewards offerings on debit cards, with most popular programs facing permanent termination. Meanwhile, those with higher incomes and/or better credit records have often been able to switch to alternative payment cards that are not subject to these caps. Therefore, the reductions in rewards have mainly harmed low income and minority communities.

With minority and low-income communities already facing higher rates of being unbanked compared to their middle- and upper-class counterparts, they simply cannot afford to weather any further reductions in credit or access to finance. We cannot repeat the mistakes of our past.

For the interest of minority and low-income communities across the Keystone state, we urge you to work with any necessary relevant parties to repeal this proposal. Thank you for your consideration.

Sincerely,



Barata A. Bey

President, African American Chamber of Commerce of Western Pennsylvania