

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

Description:

Comment ID: 159870

From: Taikein Cooper

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

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

Comments:

Date: May 13, 2024

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

Document ID: R-1818

Revision: 1

First name: Taikein

Middle initial:

Last name: Cooper

Affiliation (if any):

Affiliation Type: ()

Address line 1:

Address line 2:

City:

State:

Zip:

Country:

Postal (if outside the U.S.):

Your comment: Several years ago, I weighed in via the Richmond Free Press on an issue of vital importance to historically underserved communities here in Virginia ; access to banking services. At the time, large merchant retailers like Target and Walmart were working overtime to promote legislation that would mandate the Federal Reserve impose a political handout for themselves. If successful, this legislation would have limited the amount credit card companies could charge retailers per transaction, referred to as an interchange or "swipe" fee, for the first time. I sounded the alarm on how this giveaway would have led to more Virginians losing access to banking, increasing income inequality within our state borders by forcing many of our already struggling community banks to close. This legislation is still pending and, thankfully, its passage seems doubtful. However, the big box retailers

are now doubling down on another similar policy that could severely hinder working-class Virginians' access to needed banking services. In 2011, the Dodd-Frank Wall Street Reform Act provision required the Federal Reserve to cap interchange fees on debit cards. At the time, our central bank expressed severe reservations about the impact of this policy. Such restrictions on bank revenue would force banks to overcompensate elsewhere, in the form of higher fees on Virginians, increased minimum balance requirements, and ; in extreme cases ; the acceleration of the number of people who were "unbanked." Unfortunately, Congress mandated the Fed to proceed with the interchange fees, despite their reservations. Their concerns were warranted ; and then some. George Mason University found that this policy unbanked a whopping 1 million Americans. The Richmond Federal Reserve Bank also found that the number of banks offering free checking accounts declined by 35%, and the average minimum balance required to avoid a monthly fee has increased by more than 50%. Debit card rewards programs have all but disappeared, while corporate retailers added over \$106 billion to their bottom line, all thanks to this policy. Unfortunately, these large merchant retailers and their allies are at it again. They are using their lobbying power to convince the Federal Reserve's new leadership to ignore the central bank's previous concerns and through a new regulation ; Regulation II ; reduce the fees Walmart, Amazon, etc. pay by an additional 30%. If these corporations succeed in obtaining this new political giveaway, Virginia's already marginalized communities will surely bear a disproportionate share of the burden just as they have, historically. The story of these big box chains is familiar to everyone. They strangle Virginia's local businesses, frequently without remorse and just compensation, leaving previously prosperous small businessmen and women without jobs, livelihoods, and, many times, options. We depend on our elected representatives in Washington to consider all the potential consequences ; both positive and negative ; of every new policy initiative, and once implemented, monitor its consequences and pivot as needed. Large corporations will likely more billions of dollars if this policy becomes law. Lawmakers got this wrong in 2011, and now it could get exponentially worse. The proposed Fed Rule should be defeated, and officials in Washington should rededicate themselves to ensuring fairness, equity, and inclusion for all Americans, particularly those who have already borne the brunt of disparate economic treatment. As I have noted in the past, access to banking is not just a convenience, but an absolute necessity for historically disenfranchised communities. It is the gateway through which all economic activity flows. No one can hope to start a business, procure a credit card, or apply for a mortgage without a relationship with a bank or a credit union. With the new policy, the unbanked have little hope of achieving any of these things ; and our policymakers should take note of this disparity and act before the problem spirals even further out of control.