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Comments:

Public Comments on Debit Card Interchange Fees and Routing:

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The proposal for debit interchange to be federally regulated to an amount of 12 cents (or possibly 7 cents) will be a reduction of current interchange by 70-80% that financial institutions (FI) receive. The thought process is that this reduction will be pro-consumer and result in reduced pricing by retailers and wholesalers that are pushing for this change. The forecast will be very different from the reality of this proposal.

This was done in Australia in 2003 with reduced interchange and the results are interesting. FIs charged debit card monthly and annual fees and increased checking fees. A study reached the conclusion that in Australia fees were charged to consumers and retailers that paid less in interchange didn't reduce their prices, in fact their pricing remained the same. The retailers are the group that benefited.

In Canada they have received no interchange for 10 years. They charge for EVERY transaction since that development anywhere from 50 to 75 cents to more than recover their costs. They also have high monthly fees that range from \$15-\$30 for unlimited transactions. The cost were burdened by the consumer.

This proposal was sold as pro-consumer and that could anything close to the reality. Credit Unions and banks will need to charge for the lost fee income. Consumers will be paying higher fees. Retailers maintain their current structure and just reduce their expenses so they are able to show higher profits. Retailers are the big winners while consumers become the big losers. Is that what you want?

The reduced cost of 12 cents doesn't even cover the cost of current fraud losses which have increased as merchants and retailers haven't done much to reduce fraud and it's the FI that has to pay for fraud as well as re-issues due to breaches such as those by TJ Maxx. Retailers get convenience of not dealing with returned checks and quicker checkout times yet don't want to pay for that convenience. Doesn't make sense.