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Subject: Reg I I - Debit card Interchange

Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing

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REF: Durbin Amendment as part of the Dodd-Frank Reform Act The Durbin Amendment will create significant unintended consequences for consumers, including decreased availability of debit products, new debit card fees, the end of free checking accounts, and the decline of popular debit card rewards programs. Merchants benefit significantly when they choose to accept debit cards. For example, they receive guaranteed payment (unlike checks, debit card payments do not "bounce"), lower their labor costs, and see increased revenues as a result of increased numbers and amounts of sales when they accept debit cards because consumers are not limited to paying with cash on hand. Debit cards, unlike cash or checks, also make it possible for merchants to engage in e-commerce sales over the Internet. Interchange fees are essential to ensure merchants pay for the benefits they receive. The Fed, however, deliberately ignored most of the costs issuers incur in providing benefits to merchants. As a result, consumers will be forced to pay for most of the benefits merchants receive. In fact, the Fed proposal takes as much as \$14 billion in merchant costs and shifts them to consumers. This is at odds with the statute, could not have been what Congress intended, and will ultimately harm consumers who will be forced to pick up the bill for the benefits merchants receive from card acceptance. Regulating interchange also harms community banks and credit unions. While many of these banks and credit unions are supposedly "exempt due to the under \$10 Billion in assets provision" from the rules, there is serious doubt that this provision can be incorporated into the current MasterCard and Visa Debit card processing system. The Fed's proposal will so fundamentally alter the economics of the debit card system that the repercussions will be felt by everyone. The Fed's new rules are a misguided attempt to regulate a free, open and effective marketplace - and consumers will ultimately foot the bill.