

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

Description:

Comment ID: 158702

From: John DePetro

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

Comments:

NONCONFIDENTIAL // EXTERNAL

Docket Number R-1818, RIN 7100-AG67

Dear Secretary Misback,

I hope this message finds you well. I am writing to express my strong opposition to the Federal Reserve's proposal to lower the cap on debit card interchange fees. As the Marquette County Commissioner, I have witnessed firsthand the importance of debit cards in our community, particularly for low and moderate-income consumers.

Debit cards have become one of the most popular forms of payment, offering consumers a safe and convenient way to make purchases without the need for cash or cumbersome checkbooks. A study conducted by the Federal Reserve Bank of Boston has highlighted that individuals from low-income and moderate-income backgrounds rely heavily on debit cards as their preferred mode of payment.

Furthermore, the benefits of debit cards extend beyond consumers to businesses as well. They offer a safer, faster, and more cost-effective alternative to processing cash transactions, which can incur substantial costs due to labor, theft, and handling expenses, averaging over 9% and sometimes as high as 15.3%.

However, the 2011 cap imposed by the Federal Reserve on debit card interchange fees had adverse effects. It led banks to eliminate debit card rewards, curtail free checking account offerings, and raise minimum account balances, disproportionately impacting low and moderate-income consumers who heavily depended on these services.

Now, the proposed further reduction of the interchange fee cap from 21 cents (plus 0.05% of the transaction amount) to just 14.4 cents (plus 0.04% of the transaction amount) is alarming. This reduction, in real, inflation-adjusted terms, is even smaller than the rejected proposal in 2011. Such a move threatens to push interchange fees to unsustainable levels, posing significant harm to consumers, banks, and card issuers alike.

In light of these concerns, I urge you to reconsider the proposed reduction in debit card interchange fees. It is crucial to strike a balance that ensures the sustainability of debit card services while continuing to provide essential benefits to consumers and businesses alike.

Thank you for your attention to this matter.

Sincerely,

John DePetro
Marquette County Commissioner