

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

Description:

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From: Richard Manning

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

Comments:

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Your comment:

Secretary Ann E. Misback
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Secretary Misback,

Americans for Limited Government (ALG) has a simple mission: to promote a constitutionally limited government that allows individuals to pursue life, liberty, and happiness. As ALG's President, I am committed to supporting fiscal responsibility and policies that promote free market principles. The Federal Reserve's proposal to lower the cap on debit card interchange fees is not only fiscally irresponsible but also a political maneuver to increase the size of government. Let's look back to 2011 when the Fed first capped debit card interchange fees at 21 cents. Consumers and small businesses were told that merchants would pass cost-savings down to consumers under this government price control. However, consumers, not large businesses, bore the brunt of government intervention. Numerous studies show that consumers and small businesses never saw a substantial increase in savings. Instead, they faced higher banking costs and a loss of debit card rewards programs. Rather than learning from history, the Fed is currently attempting to lower the interchange fee cap to 14.4 cents. If the new cap is implemented, consumers will suffer. As Nick Bourke explained in a recent white paper, they "will pay an extra \$1.3 billion to \$2 billion annually in higher bank account fees" under this rule. Most concerningly, capping interchange fees is yet another Fed attempt to exert its control over our free market economy. This proposal comes right as the Fed is expanding its oversight into the

payment system through its FedNow Service program. FedNow is purported to be a "real-time" alternative to private sector payment systems. In reality, it risks giving the Fed the power to view the private information of a consumer's debit card transactions. Americans cannot afford more government intervention and limits to individual freedom and privacy. I urge the Fed to reconsider this harmful proposal. Rather than plowing ahead with a regulation that is likely to be unpopular and bad for consumers, the Fed should consider policies that protect consumers and enhance a free market economy.

Sincerely,

Richard Manning

President Americans for Limited Government