

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

Description:

Comment ID: 160467

From: Edolphus Towns

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

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

Comments:

Date: Feb 12, 2024

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

Document ID: R-1818

Revision: 1

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Your comment: My name is Ed Towns, a former Congressman who represented districts based in Brooklyn, NY, and I have dedicated my life to the advancement of civil rights and the promotion of economic advancement for underserved communities of all backgrounds. I am writing to ask the Federal Reserve Board to pause and review Regulation II, a proposal to increase and strengthen price caps on interchange fees for debit card transactions. Since the Federal Reserve adopted the first price control on debit card interchange fees over a decade ago, which reduced the fee corporate giants like Walmart need to pay to accommodate debit card swipes at their establishments, Wall Street has laughed all the way to the bank. The data shows they pocketed an estimated \$6 billion. At the same time, African Americans and other vulnerable groups have been harmed financially. Many low-income Americans can no longer afford to use traditional banking services because of this price cap, partly because of the higher fees the policy created on many checking accounts and ATMs. Before the enactment of this price cap, free checking accounts were readily available. No longer. Many financial institutions were forced to abandon these accounts due to the higher costs they incurred from this policy. Two years before the Durbin Amendment became law, 75% of banks offered no check checking accounts. Now that number is estimated to be at 40%. A study by the Journal on Financial Intermediation found nine of 10 financial institutions also raised customer fees due to this price cap on debit card transactions. A new study shows that Regulation II will exacerbate the problem, costing consumers up to \$2 billion more. Additional fees and high costs are already an obstruction that is keeping more African Americans from using all the products currently available in the United States banking system. More and higher fees, the inevitable result of Regulation II, will further increase the undue hinderances they already face. While I salute the Federal Reserve for implementing policies that seek to hire and promote more minorities into the organization, we cannot and should never forget the millions of minorities that could be harmed by the adoption of Rule II. For this reason and others, I urge the Federal Reserve to table this current proposal and undertake a comprehensive study to better understand its adverse impacts.