

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

Description:

Comment ID: 156347

From: Sentry Credit Union, Tim Barthel

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

Comments:

Hello,

Please accept these comments in regards to Docket No. R-1818, RIN 7100-G67. Small to mid-size financial institutions, like my institution Sentry Credit Union, represent a significant support for our communities. My concern is this change in debit card interchange fees and routing will continue to compress interchange for all institutions thus decreasing competition and increasing expenses for small to mid-size financial institutions.

Since the implementation of Regulation II in 2011, interchange revenues have decreased from \$0.31 to \$0.25 per transaction for covered financial institutions, according to Federal Reserve reports on debit interchange. The interchange for dual message also remains higher than single message reflecting the continued challenges of enabling competitive routing to alternate debit networks. While there is an accommodation for the fraud component in the proposal, this does not reflect the true cost of fraud to us as the issuer. We in general bear the liability for practically every type and occurrence of debit transactions that have evolved since 2011. This includes card-present EMV chip/contactless, card-not-present e-commerce, in-app purchases, card-on-file and many others. Additionally, the regulatory and compliance costs for issuers like us have continued to escalate since that time.

Price caps for interchange like these will have a systemic downstream impact on community financial institutions such as us. Please consider amending or aborting this rule making.

Sincerely,

Tim Barthel, President
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