



Michigan Bankers Association

*Our Mission:
Advocating for and
supporting banking.*

*Our Purpose:
Empowering the
voice of banking
through connections,
growth, dreams and
innovations for
communities to thrive.*

507 S. Grand Ave.
Lansing, MI 48933
michigan.bank

517-485-3600

May 08, 2024

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

RE: Docket No. R-1818, RIN 7100-AG67

Dear Chairman Powell:

The Michigan Bankers Association, representing 98 member banks serving the people and communities of Michigan, appreciates the opportunity to comment and express our concerns regarding Regulation II: Debit Card Interchange Fees and Routing [R-1818].

Debit interchange is an important part of our members' revenue mix often allowing them to offer lower-cost services to customers. Many at-risk or previously unbanked customers need those services the most. It seems extremely disjointed to be proposing a rule that would have such a significant negative impact on offering low and no-cost banking at the same time the industry and regulators have been work so diligently to bring more of the un and underbanked into the system. Debit interchange also allows our members to remain competitive in a marketplace that rewards scale. Reductions in non-interest revenue are increasingly problematic for smaller banks to survive. While the rule states it will impact only larger institutions, we know from Durbin the trickle-down effect on community banks. This proposed reduction in revenue combined with the tsunami of additional regulatory burden all while supporting a safe, secure and speedy card system is a recipe for disaster for banks and their customers.

We ask that better scrutinize the data used and method for evaluating what is considered a true cost to the financial institutions and include many of the missed costs such as card production/delivery, establishing and maintenance of checking/deposit accounts, NSF losses and handling, statement production/delivery, transaction monitoring, international fraud losses/costs and consumer service/inquiry.

This proposal does little to help consumers- we know from the Durbin amendment track record that "savings" by retailers are not passed on to them. It will discourage further investment in fraud detection and prevention and harm the overall health of the U.S. payments system. At this time, we, on behalf of our 98 member banks ask that you withdraw the rule.

Sincerely,

T. Rann Paynter

Patricia Herndon