

June 7, 2011

To: Members of the U.S. Senate

From: Floyd Stoner, Executive Vice President, Congressional Relations & Public Policy

Re: ABA Supports Bipartisan Debit Card Interchange Amendment to S. 782, the Economic Development Revitalization Act

In the coming days, you will have an important opportunity to show your support for community-based banks by voting in favor of an amendment by Senators Jon Tester (D-MT), Bob Corker (R-TN), Kay Hagan (D-NC), Michael Crapo (R-ID), Michael Bennet (D-CO), Roy Blunt (R-MO), Tom Carper (D-DE), Jon Kyl (R-AZ), and Chris Coons (D-DE) on debit card interchange. This bi-partisan amendment, expected to be offered during consideration of S. 782, the Economic Development Revitalization Act of 2011, will correct a legislative action from last Congress that will have dire effects nationwide for consumers, communities, and the community-based banks that serve them.

When Congress passed the “Durbin interchange amendment” it did so without full knowledge of the impact this amendment would have on consumers, the economy, and community-based banks. Passed with no Congressional hearings and little floor debate, the Durbin interchange amendment and the subsequent Federal Reserve proposed rule would cause enough harm to community banks that Federal Reserve Chairman Ben Bernanke stated that there is “good reason to be concerned” and that some banks “could even fail” due to the losses these institutions will face.

The ABA supports the modified proposal being offered by the bipartisan group of Senators. It reflects the input of a bi-partisan group of Senators and corrects an underlying problem of the Durbin amendment that has, as interpreted by the Federal Reserve, mandated that banks and credit unions lose money on every debit card transaction they process, forcing them to charge customers more for other services. In sum, the amendment provides the Federal Reserve and the other banking regulators with sufficient time to better understand and analyze the issue, including the impact of this provision on the community banking sector, all legitimate costs that should be considered, and whether consumers or community banks may be harmed. The amendment also gives the Federal Reserve Board the authority to fix the problems.

The proposal is a common-sense amendment that works for both consumers and for community-based banks. Your support for the amendment will be a vote for community-based banks.

I urge you to support the debit card interchange amendment offered by Sen. Tester, Sen. Corker, and the bipartisan group of Senators to S. 782, and to oppose any amendments to it.