

## **Merchants Payments Coalition: Debit Card Fast Facts**

**Fact #3: Bankers themselves don't believe what their lobbyists are saying in Washington. 60% of *American Banker* readers agree that debit card fee reforms will help small banks and credit unions.**

In a March 3<sup>rd</sup> article titled "Nevermind the Lobbyists, Durbin Amendments *Helps* Small Banks," Andrew Kahr, a principal in Credit Builders LLC (a financial product testing and development company) and founding chief executive of Providian Corp., argued:

"One of the arguments made against the Durbin restriction on interchange is that it will hurt community banks. Poppycock.

Since Durbin explicitly excludes banks with assets under \$10 billion from the restriction on interchange, it takes a hyperactive imagination to see how these banks could be hurt by it. Lobbyists have the requisite inventiveness.

**If large banks get 75% less interchange than they do now and small banks continue to get today's interchange rates, then obviously this confers a substantial competitive advantage on the small banks.** They can impose lower fees, pay more interest, and give greater rewards to depositors. Anything that reduces revenue for big banks but not for small ones should help the latter compete more effectively against the former.

In opposition to common sense, bank lobbyists have put forward some very far-fetched arguments about how, in some upside-down world, small banks are still going to be losers rather than winners from Durbin."<sup>1</sup>

Mr Kahr's post prompted a response from ICBA's Camden Fine after which the *American Banker* polled their readers with a survey asking if they agreed with Mr. Kahr, Mr. Fine, or were undecided. [Note: ICBA Bancard is the 23<sup>rd</sup> largest issuer of debit cards in the U.S.].<sup>2</sup>

**"Sixty percent of online voters took the side of industry consultant Andrew Kahr, who wrote in a recent Viewpoint that the Durbin amendment will actually help banks under \$10 billion in assets because the regulation exempts them from a pending 12-cent cap on interchange fees.."**<sup>3</sup>

This is true even though the ICBA sent out a "rallying cry over Twitter" to try to stuff the ballot box.

**The poll demonstrates that real bankers know small banks will be helped by the Federal Reserve rule and that what is being said on their behalf is, in Kahr's words "Poppycock."**

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<sup>1</sup> <http://www.americanbanker.com/bankthink/never-mind-the-lobbyists-durbin-amendment-helps-small-banks-1033898-1.html>

<sup>2</sup> *Nilson Report*. Issue 947, April 2010. pg. 11.

<sup>3</sup> [http://www.americanbanker.com/bankthink/-1034344-1.html?ET=americanbanker:e6094:1378227a:&st=email&utm\\_source=editorial&utm\\_medium=email&utm\\_campaign=AB\\_Intraday\\_031111](http://www.americanbanker.com/bankthink/-1034344-1.html?ET=americanbanker:e6094:1378227a:&st=email&utm_source=editorial&utm_medium=email&utm_campaign=AB_Intraday_031111)