

Debit Card Fast Facts: Small Banks are Winners of Swipe Fee Amendment

Fact #5: Georgetown Professor Adam Levitin is yet one more expert to say that small banks will benefit from the debit swipe fee reforms.

An in-depth post at [Credit Slips](#) by Georgetown professor Adam Levitin evaluates the rumors about the effect of swipe fee reform on small banks, and finds that community banks and credit unions come out on top.

The banking industry is making a full court press to get the Durbin Interchange Amendent implementation delayed. Given that a year of delay is worth about \$15-16 billion in swipe fees, the banks are quite motivated, and [they've managed to get legislation introduced](#) to delay the rule-making so the Fed can study the issue further.

...A recent [American Banker reader poll](#) indicated that a majority of readers thought that small banks would actually benefit from the Durbin Amendment... The Machiavelli of the card industry himself, [Andrew Kahr](#), even [opined in the American Banker](#) that small banks would benefit from Durbin. In his words, the claim that Durbin hurts small issuers is "Poppycock." It's pretty hard to argue with Kahr's math, when it observes that it can only help small banks if they get 100bps vs. 30bps for the big banks.

The Durbin Amendment contains an exemption for small issuers, defined as issuers with less than \$10 billion in consolidated net assets. This covers 99% of financial institutions, but only a miniscule share of the dollar volume of the debit market on the logic that small issuers don't have market power and aren't creating the antitrust problems in the debit space.

...The Durbin Amendment might actually be a real boon to small banks and credit unions, as it will start to level the playing field in the card space relative to the handful of megabanks that dominate consumer finance. There are lots of economies of scale in the card space, and the small banks are at a disadvantage because of that... All in all, I think it's quite likely that small banks come out ahead under the Durbin Amendment, which is a reason to support it.