

Resolution of the Board of Directors in Support of the Debit Interchange Fee Study Act of 2011

The Greater Houston Partnership supports reasonable legislative efforts to improve the oversight and supervision of financial institutions, ensure financial-market liquidity and stability, and promote fairness without unduly burdening businesses or consumers. The Durbin Amendment, a provision in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, allows Congress to place a cap on interchange fees for debit cards. This provision was adopted hastily, without the benefit of hearings by either of the two congressional committees of jurisdiction, the House Financial Services Committee and the Senate Banking Committee. Its hurried approval and enactment into law denied to the public and affected industries customary due-process protections of adequate notice and public hearing, and thus fundamental fairness. Since this provision was codified, substantial sentiment among affected industries has emerged that Congress acted without fully apprehending the practical impact the Durbin Amendment would have on retailers, banks, and consumers.

Legislative relief has been introduced in the current Congress in the form of S. 575, the Debit Interchange Fee Study Act of 2011, a bill with broad bipartisan support to delay implementation of the Durbin Amendment and authorize the Federal Reserve to examine the true impact that this provision would have on the nation's payment system.

The Greater Houston Partnership believes that further information is needed to determine exactly how the Durbin Amendment will affect the banking industry, the business community, and consumers. Therefore, the Greater Houston Partnership supports passage of S. 575.


Larry Kellner, Chairman


Jeff Moseley, President and CEO


Tony Chase, Secretary

MEMORANDUM

DATE: April 20, 2011

TO: Greater Houston Partnership Board of Directors

FROM: Jim Bayless, Chairman
Federal Relations Committee

SUBJECT: Resolution of the Board of Directors in Support of the Debit Interchange Fee Study Act of 2011

RECOMMENDATION

The Greater Houston Partnership supports reasonable legislative efforts to improve the oversight and supervision of financial institutions, ensure financial-market liquidity and stability, and promote fairness without unduly burdening businesses or consumers. The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 contains a provision known as the Durbin Amendment, which would allow Congress to place a cap on interchange fees for debit cards. This provision was adopted hurriedly as a Senate floor amendment, without the benefit of hearings by either of the two congressional committees of jurisdiction, the House Financial Services Committee and the Senate Banking Committee. Since then, substantial sentiment among affected industries has emerged that Congress acted without fully apprehending the practical impact the Durbin Amendment would have on retailers, banks, and consumers.

Legislative relief has been introduced recently in the current Congress in the form of S. 575, the Debit Interchange Fee Study Act of 2011, a bill with broad bipartisan support, to delay implementation of the Durbin Amendment and authorize the Federal Reserve and FDIC to examine the impact that this provision would have on the nation's payment system.

The Greater Houston Partnership agrees with the view that further information is needed to determine how the Durbin Amendment will affect the banking industry, the business community, and consumers and thus supports passage of S. 575.

BACKGROUND

The Durbin Amendment's hurried approval and codification denied to the public and affected industries customary due-process protections of adequate notice and public hearing, and thus fundamental fairness. The Federal Reserve and the FDIC have acknowledged the unintended consequences of the Durbin Amendment on consumers, yet these agencies, by themselves, have no authority to act. Only Congress can do so through S.575.

Large and small banks, savings banks, and credit unions contend that the Durbin Amendment is not good for business or consumers. These groups are urging Congress to block implementation of the Durbin Amendment until its practical consequences are fully understood and thus prevent needless damage to the nation's payment system.

The Greater Houston Partnership believes that further information is needed to determine exactly how the Durbin Amendment will affect the banking industry, the business community, and consumers. Therefore, the Greater Houston Partnership supports passage of S. 575.

LEGISLATION NEEDED

S. 575, authored by U.S. Senator Jon Tester, D-Montana, et al., will authorize the Federal Reserve System to delay implementation of the Durbin Amendment and conduct a study on the consequences of the proposed changes before its implemented.

FISCAL IMPACT

To date, the fiscal impact on the federal government to conduct this study is unknown.

KNOWN OPPOSITION

Merchants and retailers have expressed opposition to S. 575.

RESOURCES REQUIRED

This recommendation can be implemented with available Greater Houston Partnership staff within current operating budget resources.