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By Harry Alford

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The six month anniversary of the implementation of the Durbin amendment is upon us and [so me say the effects have been negligible](#)

. As a voice for small businesses and their customers, I say to those of that mindset, think again!

By intervening in a functioning market and passing the Durbin Amendment, Congress has inarguably reduced the profit margins of banks and credit unions (both big and small) that issue cards, putting them in a precarious position. As the banks' revenue shrinks because of this regulation, they are now forced to charge more for traditional banking services.

These changes to the electronic payments system have hurt small businesses in a big way. Small business owners, and particularly minority entrepreneurs, rely heavily on financial institutions for a number of services. Congress should not have made it more difficult to start a small business or keep one afloat.

Furthermore, "mom and pop" shops are paying more in interchange fees as this new regulation is increasing the cost of accepting debit for small ticket items like a cup of coffee or a turkey sandwich. Prior to government intervention, retailers paid about 1 percent per debit transaction to utilize card payment systems but now price-controlled transactions are subject to a flat rate of .23 cents to .24 cents — nearly a 1,000 percent increase. Government intervention in the interchange system might boost profits for giant retailers but it harms the interests of American small businesses.

Consumers are also losing at the check-out counter where they should be seeing savings passed on to them from giant retailers who have just received an \$8 billion payday from the implementation of the Durbin Amendment. According to a recent [Ipsos Public Affairs survey](#), only 7 percent of respondents believe most retailers are passing their savings on to consumers now that the government has lowered the amount retailers pay to accept debit cards.

Moreover, only 6 percent believe that retailers ever intended to pass on savings from lower debit card fees to consumers.

Another unintended — yet highly anticipated — consequence for consumers is the higher cost of traditional banking services. A study released just last month by [Javelin Strategy & Research](#) discussed how free checking is going away, in part due to the Durbin amendment. And in just the past few weeks we've heard more about major banks testing new checking account fees. Without interchange revenue, banks have to find other ways to continue to offer these services, be it through small business or consumer clients.

Contrary to what the giant retailers may argue, interchange isn't complicated to understand. Simply stated, it is one of the costs of doing business, like paying your electricity bill. Retailers that choose to accept electronic payments in turn, benefit from higher sales, a larger customer base, reduced risk associated with handling cash, reduced bounced checks, and access to ecommerce. For this valuable service, retailers pay a fee to their bank of which interchange is a portion. Interchange revenue covers a wide variety of costs for card-issuing banks and credit unions, including customer service, system efficiency and convenience, the costs of online transactions, protection of customer data, a substantial majority of risk for transactions, and card production costs, among many others.

None of this had to happen. [My organization sounded the alarm early on](#), as did a broad array of others — from community groups to economists, consumer advocates to free market thinkers — hundreds of thousands of people raised their voices, but to no avail. The giant retailers and their lobbyists proved too powerful and had their way. The unintended consequences of the Durbin amendment are very real and all that remains now is trying to limit the damage and the impact.

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