New ICLE study finds the Durbin Amendment still harms poorer Americans and small businesses
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Today, the International Center for Law & Economics (ICLE) released a study updating our 2014 analysis of the economic effects of the Durbin Amendment to the Dodd-Frank Act.

The new paper, *Unreasonable and Disproportionate: How the Durbin Amendment Harms Poorer Americans and Small Businesses*, by ICLE scholars, Todd J. Zywicki, Geoffrey A. Manne, and Julian Morris, can be found here; a Fact Sheet highlighting the paper’s key findings is available here.

Introduced as part of the Dodd-Frank Act in 2010, the Durbin Amendment sought to reduce the interchange fees assessed by large banks on debit card transactions. In the words of its primary sponsor, Sen. Richard Durbin, the Amendment aspired to help “every single Main Street business that accepts debit cards keep more of their money, which is a savings they can pass on to their consumers.”

Unfortunately, although the Durbin Amendment did generate benefits for big-box retailers, ICLE’s 2014 analysis found that it had actually harmed many other merchants and imposed substantial net costs on the majority of consumers, especially those from lower-income households.

In the current study, we analyze a welter of new evidence and arguments to assess whether time has ameliorated or exacerbated the Amendment’s effects. Our findings in this report expand upon and reinforce our findings from 2014:

*Relative to the period before the Durbin Amendment, almost every segment of the interrelated retail, banking, and consumer finance markets has been made worse off as a result of the Amendment.*

Predictably, the removal of billions of dollars in interchange fee revenue has led to the imposition of higher bank fees and reduced services for banking consumers.

*In fact, millions of households, regardless of income level, have been adversely affected by the Durbin Amendment through higher overdraft fees, increased minimum balances, reduced access to free checking,*
higher ATM fees, and lost debit card rewards, among other things.

Nor is there any evidence that merchants have lowered prices for retail consumers; for many small-ticket items, in fact, prices have been driven up.

**Contrary to Sen. Durbin’s promises, in other words, increased banking costs have not been offset by lower retail prices.**

At the same time, although large merchants continue to reap a Durbin Amendment windfall, there remains no evidence that small merchants have realized any interchange cost savings — indeed, many have suffered cost increases.

And all of these effects fall hardest on the poor. Hundreds of thousands of low-income households have chosen (or been forced) to exit the banking system, with the result that they face higher costs, difficulty obtaining credit, and complications receiving and making payments — all without offset in the form of lower retail prices.

Finally, the 2017 study also details a new trend that was not apparent when we examined the data three years ago: Contrary to our findings then, the two-tier system of interchange fee regulation (which exempts issuing banks with under $10 billion in assets) no longer appears to be protecting smaller banks from the Durbin Amendment’s adverse effects.

This week the House begins consideration of the Amendment’s repeal as part of Rep. Hensarling’s **CHOICE Act**. Our study makes clear that the Durbin price-control experiment has proven a failure, and that repeal is, indeed, the only responsible option.

Click on the following links to read:

- [Full Paper](#)
- [Fact Sheet](#)
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