



**Congressman Jim Jordan (R-OH), RSC Chairman**  
**Congressman Randy Neugebauer (R-TX), FSWG Chairman**

## **WEEKLY UPDATE**

*6 October 2011*

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### ***Effects of the Fed Interchange Rule***

On July 20, 2011, the Federal Reserve finalized a rule known as the “Durbin Amendment”, which capped the fees that banks can collect from merchants whenever customers swipe their debit cards. This rule became effective October 1, 2011. In response to these increased federal regulations, several banks have announced plans to charge customers new monthly fees when they use their debit cards for purchases. This week President Obama and Senator Dick Durbin (D-IL) have both spoke openly against Bank of America for their debit card fee. President Obama went as far to say, “[You don’t have some inherent right just to get a certain amount of profit if your customers are being mistreated, he said in an interview with ABC News.](#)” The Obama Administration and Senator Durbin will not acknowledge that they were warned of the effects of the interchange rule on consumers, businesses, and jobs. The following quotes from well-recognized issue experts cautioned lawmakers about the potential effects of implementing the Fed rule:

- “It’s certainly possible that some of those costs would get passed on to consumers in some way, for example, a charge for a debit card or something like that.”  
– *Federal Reserve Chairman Ben Bernanke, February 17, 2011*
- “If they are forced down to the 12 cent level, that is going to reduce the income that they get for debit cards, so I think they're going to have to make that up somewhere, probably by raising the fees that they have on transaction accounts. . . That would not be helpful for consumers and that might be an unintended consequence.”  
– *Former FDIC Chairman Sheila Bair, February 17, 2011*
- “We would be concerned with a rule that would inadvertently reduce access to debit cards and other basic banking services to low — and moderate — income borrowers. It is therefore imperative to subject this proposal to careful study and analysis.”  
– *John Taylor, President and CEO, National Community Reinvestment Coalition, February 22, 2011*

Flashing forward to today, some banks across the country are adjusting with the following changes:

- [Bank of America](#) announced it will charge its debit card users a \$5 monthly fee beginning in early 2012.
- International Bancshares Corp. in Laredo, Texas, announced Thursday that it is [closing 55 grocery](#) store branches in response to legislation that will cap what banks can charge merchants for debit card transactions.
- [Citibank](#) will charge some customers up to \$20 per month for low account balances starting later this year.
- [Well Fargo](#) is scheduled to gather customer feedback on the \$3 monthly fees in New Mexico, Oregon, Georgia, Washington and Nevada.

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## The RSC Financial Services Working Group Hosts a Panel Discussion on the European Debt Crisis

As Euro zone governments suffer from exposure to Greek and Italian debt, the U.S stock market has become extremely volatile over the last week. According to an article in the Wall Street Journal on Wednesday, October 5, "[The vicious cycle is undermining confidence in Europe's financial system and its economy, further threatening shaky economic recovery in the U.S. and around the world](#)". On Tuesday, October 11, 2011, Members and staff are invited to attend a panel Briefing on the European debt crisis and how it affects the U.S. markets. This forum will present a rare opportunity to ask questions and get answers from highly qualified economist and learn more about the ramifications of European debt crisis on the U.S. economy.

- **When: Tuesday, October 11, 2011**
- **Time: 3-4 pm**
- **Where: 210 Cannon**
- **RSVP to: [ja'ron.smith@mail.house.gov](mailto:ja'ron.smith@mail.house.gov)**

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## Small Business Capital Formation

Over the past couple of weeks the House Financial Services committee has focused on legislative proposals to facilitate small business capital formation and job creation. Conservatives such as Representatives Fincher, McHenry, McCarthy, and Schweikert have all submitted proposals that ease long standing regulations so that small business are more able to raise capital. Below are [brief summaries](#) of their proposals according to the financial services committee.

### **Small Company Capital Formation Act of 2011(Rep. Fincher, R-TN)**

This draft legislation expands the exemptions available to small companies from certain costly reporting requirements of the Sarbanes-Oxley Act. Since 2007 the SEC has exempted small companies with a market capitalization of less than \$75 million. Market participants have repeatedly said the current SEC exemption provides no benefit since the threshold is too low.

### **Entrepreneur Access to Capital Act (Rep. McHenry, R-NC)**

H.R. 2930 permits "crowdfunding" to finance new businesses by allowing companies to accept and pool donations up to \$5 million without registering with the SEC. Crowdfunding is an innovative and lower-risk form of financing that enables several individuals to pool money in a particular company. SEC regulations prohibiting general solicitation have acted as a barrier to crowdfunding developing and flourishing in the United States.

### **Access to Capital for Job Creators Act (Rep McCarthy, R-CA)**

H.R. 2940 removes the regulatory ban that prevents small, privately held companies from using advertisements to solicit investors for private offerings. Securities laws not only prohibit general solicitation and advertising but require investors to have an existing relationship with the company in order to meet SEC exemption requirements. This ban has limited the ability of small businesses to raise capital.

### **Private Company Flexibility and Growth Act (Schweikert, R-AZ)**

H.R. 2167 removes an impediment to capital formation for small companies by raising the shareholder threshold for mandatory registration with the SEC from 500 to 1,000 shareholders. The shareholder threshold was originally adopted in 1964 and has not been modernized since then. At a recent hearing, the Committee received testimony from witnesses regarding the impact the bill will have on the availability of credit for small companies, job creation, and economic growth.

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Question or comments regarding RSC Financial Services Working Group items can also be directed to Ja'Ron K. Smith, [Ja'Ron.Smith@mail.house.gov](mailto:Ja'Ron.Smith@mail.house.gov).