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After graduating Harvard University, my endeavors have been featured in Fox Business News, The Boston Globe, Boston Business Journal, Time Magazine, and Cambridge Chronicle. I graduated Cum Laude with a Distinction in Research from Cornell University. In addition, I studied abroad at the London School of Economics. My professional tenure includes equities trading at Goldman Sachs and William Blair. I am also a founder of "PowerDown" - a Clean Energy Start up. I have become an active reporter with

Digesting The Impending Durbin-related Doom

Forbes, The Wall Street Journal Market Watch, Fortune, Business Insider, USA Today, Christian Science Monitor, New York Daily News, Boston Globe and others.

The author is a Forbes contributor. The opinions expressed are those of the writer.

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The Durbin Amendment, which is scheduled to go into effect on this October 1, was intended to ease some of the financial burden weighing upon merchants by capping the interchange or "swipe" fees they pay to banks per debit card transaction.



Image via Wikipedia

Currently, the average swipe fee collected by the bank per debit card transaction is 44 cents. After the implementation of Durbin, a facet of the Dodd-Frank Financial Reform Act, customers opting to [pay by debit card](#) will cost merchants around 21 cents per swipe.

However, it seems that instead of saving merchants money, a savings which was hoped to eventually trickle down to consumers, Durbin, or rather the banks' reaction to it will end up costing them and customers more.

In an effort to recoup some of their revenue loss as a result of the new caps, many banks have already changed their fee structures pertaining to debit cards and the checking accounts to which they are linked.

Customers banking at certain institutions, SunTrust and Regions, for example, have been forewarned of a monthly fee that will be levied upon anyone who uses their debit card at the point of sale to make purchases, whether the transaction is processed as "debit" or "credit," much to the

chagrin of customers. Citibank is one of the big banks that has [chosen not to dispense debit card fees](#) to its customers.

“I’m hoping these new fees will cause consumers to shop around,” Ed Mierzwinski, the consumer program director at U.S. Public Interest Group, told the Tennessean’s website.

As far as merchants go, things look somewhat grim; especially in light of announcements made by both Visa and MasterCard that they will increase their credit cards processing rates to historic highs starting October.

According to Robert Livingstone, president and founder of consulting firm IdealCost.com, “The Durbin Amendment touted itself as the end-all of all unreasonable merchant fees. Whether it was poorly drafted to purposely support only certain industries or miswritten completely by accident, it will result in harming American merchants,” marketwatch.com reported him having said.

Something else that Durbin did not address is what will happen to the interchange fee when a purchase is returned by a customer. Merchants issue a refund in an amount equaling the full purchase price when an item is returned, but the retailer may be taking a loss on such transactions because card processing fees are not refunded when transactions are reversed. On occasion, a merchant may even be hit with a second interchange fee should the processor issue one for the transaction associated with an item’s return.

Transactions such as [chargebacks](#) and returns are more expensive to process and retailers may be susceptible to paying higher fees should they experience a high percentage of chargebacks.

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