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### **Banks Face Dilemma with Debit Card Fees, says Auriemma Consulting Group**

May 16, 2011 (New York, NY). With implementation of the Durbin Amendment delayed until July, the suspense continues about how much interchange will be cut. In the meantime, bankers are trying to figure out how to introduce what they know will be hugely unpopular fees. The most recent study by The Debit Report, a syndicated monthly publication of Auriemma Consulting Group (ACG), shows that only 12% of debit card holders currently pay an annual fee, while another 20% have minimum balance requirements. The other two-thirds, accustomed to free checking/debit cards, will offer a challenge to marketers.

“ACG research has consistently shown that consumers react more strongly to the payment amount than to the total cost of service”, said Dr. Patricia A. Sahn, Managing Director at ACG. “A majority of The Debit Report respondents would prefer a \$5 monthly fee for a checking/debit card account over an annual fee of \$12 and a per-transaction fee of 7 cents. Given their average of 18 debit card transactions per month, it would be less than \$30 annually, compared to \$60 for the monthly payment option.”

By a large margin, debit card holders would rather give up their rewards program than pay annual or transaction fees. About a third of the consumers surveyed got rewards for their debit card usage, and these incentives are effective in diverting more spending to the card. Debit card holders with rewards put \$626 of their monthly spending on that card, compared to \$346 for non-rewards cards. Of course, if bankers stop getting revenue from debit card transaction, they may be incented instead to discourage usage.

There are other ways in which Durbin-induced fees could have unintended consequences, noted Sahn. “Minimum-balance requirements are more palatable than maintenance fees, especially for more affluent customers. As we move from an environment where no-fee debit/checking is the norm, the desire to avoid fees may help banks with deposit and asset-gathering, giving them more opportunity in investment and wealth management.”

## **About Auriemma Consulting Group**

Auriemma Consulting Group (ACG) is a full-service management consulting firm serving the payments and lending industries since 1984. The Debit Report is ACG's syndicated market research study of debit card holders, conducted quarterly in the U.S. With offices in New York and London, ACG consultants are experienced practitioners, drawn from the credit, debit, and prepaid cards, private label, auto finance, mortgage, and retail banking industries that we serve. For more information, contact Dr. Patricia A. Sahm at 212-323-7000 or [patricia.sahm@acg.net](mailto:patricia.sahm@acg.net).