



MyBankTracker.com Review: The Future of Debit Rewards

With new federal rules capping interchange fees poised to take effect this fall, banks across the country have responded by calling it quits on debit rewards programs.

When the new rules take effect in October, they will cap the amount of interchange fees the nation's largest banks can charge merchants to 21 cents each time a debit card is swiped by a customer to make a payment. A previous version of the bill would have capped interchange fees at a much lower 12 cents per transaction, which was expected to slash the revenue collected by debit card issuers by as much as \$16 billion.

Even while public debate was still brewing, a number of U.S. banks decided action was necessary to protect their businesses and began ending new enrollment in rewards programs--arguing that such programs were funded in large part by the interchange fees they collected. For example, Chase Bank made the decision earlier this year to end new enrollment in debit rewards programs starting July 20. While the bank did temporarily reverse this policy change when it appeared interchange fee reform would be abandoned, it ultimately decided to stick with its initial decision when regulators finalized interchange fee cap rules in late June.

Other large banks with debit rewards programs have also followed in Chase's footsteps. For example, both Wells Fargo and SunTrust bank both ended new enrollments for debit rewards customers this year. Another bank, Fifth Third Bank, stopped enrolling new customers in late April and permanently ended its rewards program for existing customers on July 1.

Banking customers looking for rewards aren't without options. Numerous banks are still weighing what the ultimate costs of the new rule and have been slower to end rewards programs. BBVA USA Bancshares Inc., plans to end its traditional debit rewards program and begin a new merchant-funded debit rewards program where customers earn points for using their debit card to shop at certain retailers.

KeyCorp of Cleveland actually has plans to enhance its debit rewards program rather than end it. According to the bank's spokesman Dan P. Davis, the bank will expand its debit rewards program to include additional perks not just for debit card use, but also for customers that broaden their relationship with the bank.

Numerous other banks have also made the decision to begin offering merchant-funded rewards programs using the services of companies like Intuit Inc. Online banks like Ally Bank and Bank of the Internet have also begun to offer new merchant rewards services to fill the void left by banks like Chase and Wells Fargo. Both banks began offering rewards programs that allow customers to automatically earn discounts for shopping with certain retailers.

For those unaware of how the interchange fee caps will affect their banking services, here's how some of the nation's largest banks have responded to the new rule. Since a number of the largest U.S. bank don't necessarily offer debit rewards programs, the list also paints a picture about how some banks could alter additional retail banking services.



Have/Will End New Enrollments:

- **Regions Financial Corp**, March 1
- **Wells Fargo & Co.**, Ended Rewards Program on March 20
- **SunTrust Banks Inc.**, Ended New Enrollments on April 15.
- **Fifth Third Bancorp**, Ended Reward Program in late April, plans to permanently end program in July.
- **USAA Bank**, Will end program on Sept. 1
- **US Bancorp**, Ended in February
- **PNC Financial Services Group Inc.**, Will end new enrollments on Sept. 12
- **BVAA Compass**: Will end its merchant rewards program and begin offering merchant-funded rewards program on Sept. 20. Existing rewards customers will be able to keep their points

Still Reviewing Impact of Durbin Amendment to Banking Services:

- **Citizens Financial Group**
- **First Niagara Financial Group**
- **HSBC North America Holdings Inc.** (has no debit rewards program)
- **Northern Trust Corp.** (has no debit rewards program)
- **Huntington Bancshares Inc.** (no debit rewards program)

Will Not Change Banking Services:

- **Bank of America NA**
- **HSBC North America Holdings**
- **Capital One Financial Corp.**
- **TD Bank US Holding Co.**
- **ING Bank**
- **New York Community Bank**
- **Hudson City Bancorp Inc.**
- **E*Trade Bank** (doesn't have debit rewards program)
- **KeyBank** (will enhance rewards program this fall)

Banks that Couldn't be Reached/Declined Comment:

- **BB&T Bank**
- **Harris Financial Corp.**
- **UnionBanCall**
- **M&T Bank Corp.**
- **BancWest Corp.**
- **Zions BanCorp**
- **Popular Inc.**
- **Synovus Financial Corp.**
- **People's United Financial Inc.**