

February 26, 2009

To: Members of the U.S. Senate and House of Representatives

Re: Opposition to Proposals to Regulate Interchange Fees

The undersigned trade associations, representing a united lending industry, are writing in strong opposition to legislative proposals to regulate interchange fees. If enacted, this legislation would force consumers to pay the bills of retailers, and would harm community banks throughout the country.

Interchange is the fee that retailers pay to access the credit and debit card payment system. Retailers that use the system are provided the benefit of safe and guaranteed payments transferred directly into the merchants' accounts, along with transactions that are less expensive than cash or checks. The retailers bear no risk associated with fraud, failure to pay, or data breaches. When merchants choose to accept payment cards, they pay a penny or two on each dollar for the ability to accept electronic payments. This is a very small price to pay for all of these benefits.

In an effort to lower their cost of doing business, retailers are asking Congress to pass the misnamed Credit Card Fair Fee Act, legislation that will arbitrarily determine rates and terms for interchange fees and in effect transfer the merchants' business cost directly to consumers. For Congress to regulate interchange would be unfair. Just like merchants pay their electricity bills and employee salaries, it's only fair that they pay a small fee for the benefits they receive when they accept debit and credit cards.

Though merchants claim that regulation is needed because interchange rates have skyrocketed, the truth is, interchange rates have remained virtually the same for several years. What has skyrocketed is the revenue merchants have received as a result of the electronic payment system. These guaranteed, immediate payments help merchants avoid bad check losses, employee theft, check float loss, cost associated with billing and collections, and managing and depositing cash.

While enacting this legislation will be harmful to all banks, it will be particularly detrimental to community banks. Local banks rely on this revenue to support important services to their local communities, as well as to cover, among other things, the cost of fraud caused by data breaches at retailers that put depositors' money at risk. These banks, as engines of economic development during these trying economic times, can ill-afford this attempt by merchants to use Congress to duck an everyday cost of doing business.

Merchants, banks, and card networks have worked together for more than 50 years to build an efficient and accessible electronic system that is convenient, secure, reliable, and global. If the Credit Card Fair Fee Act were enacted, it would disrupt the balance established in a remarkably successful marketplace in which merchants, consumers, financial institutions and networks have benefited.

We strongly urge you not to cosponsor or support this legislation when it is introduced.

Sincerely,

American Bankers Association  
Alabama Bankers Association  
Alaska Bankers Association  
Arizona Bankers Association  
Arkansas Bankers Association  
California Bankers Association  
Colorado Bankers Association  
Community Bankers Association of Ohio  
Connecticut Bankers Association  
Delaware Bankers Association  
Florida Bankers Association  
Georgia Bankers Association  
Hawaii Bankers Association  
Heartland Community Bankers Association  
Idaho Bankers Association  
Illinois Bankers Association  
Illinois League of Financial Institutions  
Indiana Bankers Association  
Iowa Bankers Association  
Kansas Bankers Association  
Kentucky Bankers Association  
Louisiana Bankers Association  
Maine Association of Community Banks  
Maryland Bankers Association  
Massachusetts Bankers Association  
Michigan Bankers Association  
Minnesota Bankers Association  
Mississippi Bankers Association

Missouri Bankers Association  
Montana Bankers Association  
Nebraska Bankers Association  
Nevada Bankers Association  
New Hampshire Bankers Association  
New Jersey Bankers Association  
New Mexico Bankers Association  
New York Bankers Association  
North Carolina Bankers Association  
North Dakota Bankers Association  
Ohio Bankers League  
Oklahoma Bankers Association  
Oregon Bankers Association  
Pennsylvania Bankers Association  
Puerto Rico Bankers Association  
Rhode Island Bankers Association  
South Carolina Bankers Association  
South Dakota Bankers Association  
Tennessee Bankers Association  
Texas Bankers Association  
Utah Bankers Association  
Vermont Bankers Association  
Virginia Bankers Association  
Washington Bankers Association  
Washington Financial League  
West Virginia Bankers Association  
Wisconsin Bankers Association  
Wyoming Bankers Association