



National Association of Federal Credit Unions
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Fred R. Becker, Jr.
President and CEO

July 29, 2010

The Honorable Jason Altmire
Chairman
Subcommittee on Oversight and Investigations
Small Business Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mary Fallin
Ranking Member
Subcommittee on Oversight and Investigations
Small Business Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Altmire and Ranking Member Fallin:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federal credit unions, I am writing to you regarding today's Small Business Subcommittee on Investigations and Oversight hearing on "The Impact of Interchange Fees on Small Businesses." Simply put, the Durbin amendment on debit interchange fees passed as part of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (H.R. 4173) will have a devastating impact on our nation's credit unions.

The interchange language in H.R. 4173 will effectively shift costs from big box stores and giant retailers to consumers. Merchants will maintain all of the benefits they currently enjoy by accepting debit cards, including accommodating the millions of Americans who use plastic as a convenience and transferring the risk of fraudulent activity to financial institutions at the point of sale. Meanwhile, consumers will lose out.

The fact that there is no stipulation in H.R. 4173 to ensure that the cost savings merchants receive will be passed onto consumers in the form of lower prices is curious, given that proponents of the Durbin language argue that they are working in the name of small businesses and their customers. The reality is that the real winners with this language are the large box store retailers who stand to make millions. Unfortunately, the losers are your Main Street financial institutions – credit unions and community banks – and ultimately the American consumer. Credit unions, which are small businesses themselves, have proudly served over 92 million Americans throughout the financial crisis while coming up with innovative ways to keep the flow of credit moving to consumers and other small businesses.

By requiring the Federal Reserve to set a price for debit card acceptance, credit unions that issue debit cards will be forced into an impossible decision: either raise costs for members or stop issuing debit cards altogether. Furthermore, H.R. 4173 enables merchants to set a minimum transaction amount of \$10 for the use of payment cards. With notably absent notification requirements, consumers would be at the register before they realize their cards will not be accepted because they have not spent a sufficient amount. This could have a particularly negative impact on low-income shoppers, who may be forced to

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spend more on card purchases than they had budgeted for just to meet any artificial minimums set by the merchant at check-out.

We hope that this subcommittee hearing will also focus on how to police merchants to ensure that consumers are protected from abuse of the new authorities granted merchants as part of H.R. 4173.

Lastly, we must point out that the small issuer exemption in the bill provides very little, if any, protection for credit unions. If credit unions continue to charge market-based interchange fees, merchants could covertly discriminate against credit union cards in favor of price-controlled large institution products. The debit card in your wallet from your credit union would now be viewed as second-class by merchants and the American consumer.

It is with the above concerns in mind that we continue to oppose the debit interchange language in H.R. 4173. Should you have any questions or require any additional information please contact me or Brad Thaler, NAFCU's Director of Legislative Affairs, at 703-842-2204.

Sincerely,

A handwritten signature in black ink, appearing to read 'Fred R. Becker', is written over a horizontal line.

Fred R. Becker
President/CEO

cc: Members of the House Small Business Subcommittee on Investigations and Oversight