



National Association of Federal Credit Unions
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B. Dan Berger
Executive Vice President
Government Affairs

May 24, 2010

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Re: Reject the Senate's Interchange Amendment to H.R. 4173, the *Wall Street Reform and Consumer Protection Act of 2009*

Dear Speaker Pelosi and Minority Leader Boehner:

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 urge the House to reject the Senate's language on interchange fees that was included to the Senate version of financial reform (H.R. 4173).

The Senate language on interchange fees will have a negative impact on our nation's credit unions and consumers.

The interchange language in the Senate bill will in effect 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 having risk of fraudulent activity transferred to financial institutions at the point of sale. Meanwhile, consumers will lose out.

The fact that there is no stipulation in the Senate language to ensure that cost savings merchants receive will be passed onto consumers in the form of lower prices is curious given that proponents of this language argue that they are working in the name of small businesses and their customers. The reality is that real winners with this language are the large box store retailers who stand to make millions and see their stock prices rise on Wall Street, while the losers are your Main Street financial institutions such as credit unions and community banks, and ultimately the American consumer.

By allowing the Federal Reserve to arbitrarily set a price for debit card acceptance, credit unions that issue debit cards would be forced into an impossible decision – either raise costs for members or stop issuing debit cards altogether. Furthermore, the Senate

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language would enable merchants to set a minimum or maximum transaction amount for the use of payments cards. With notably absent notification requirements, consumers would be at the register before they realize their cards won't be accepted because they have bought too much or too little. This could have a potentially negative impact on low-income shoppers, who may be forced to spend more on debit purchases than they had budgeted for just to meet any artificial minimums set by the merchant at check-out.

Lastly, the small issuer exemption 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.

We would note that the issue of debit interchange addressed in the Senate language was not the focus of the GAO report released last year as the GAO study clearly stated "...we focused on the structure of fees for accepting credit cards, not debit cards..." (GAO-10-45 Credit Card Interchange Fees, p. 2). That same GAO study also found that proving any benefit to consumers from capping interchange rates was difficult as consumers would likely face higher costs in other areas.

Simply put, this amendment, which would hurt credit unions and their 92 million members, was drafted in a way that would not benefit consumers and would allow big box retailers to reap additional profit. **It is with this in mind, that we urge the House to reject the Senate language on interchange fees.** 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,



B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the United States House of Representatives