



**National Association of Federal Credit Unions**  
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**B. Dan Berger**  
*Executive Vice President*  
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April 23, 2010

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
Washington, D.C. 20510

**Re: Oppose Including any Interchange Provisions to S.3217, the Restoring American Financial Stability Act of 2010**

Dear Leader Reid and Leader McConnell:

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 express our concerns with and opposition to the inclusion of any proposals to address interchange rates in the Restoring American Financial Stability Act of 2010 (S.3217).

The electronic payments system has proven to be one of the most important advances in the financial services marketplace in the last century. The system is tremendously beneficial to consumers, as well as merchants. Consumers can travel the globe without worrying about having access to cash or exchange currency. Everything from a trip to the supermarket or gas station is made simpler and more convenient thanks to credit and debit cards.

The system has been equally beneficial for merchants. Retailers reap tremendous benefits in the form of increased sales, reduced costs for overhead such as accounting for, and transporting cash, substantially fewer fraud losses and immediate payment for goods and services. Indeed, credit and debit card sales helped Wal-Mart ring up more than \$375 billion in sales last year. It is also instructive to note that Exxon-Mobil, Chevron and ConocoPhillips were the first, seventh and eighth most profitable companies in 2007 according to Forbes Magazine. Based on the profits of the largest gasoline manufacturers, perhaps gas station operators should look to cut costs by negotiating a cheaper wholesale price for gasoline rather than advocating for price controls on interchange fees. Further, the explosion in internet commerce would have been virtually impossible absent the electronic payment system.

The electronic payment system and the interchange fee structure that supports the system are incredibly important to the credit union industry. The electronic payment system is integral in

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allowing credit unions to compete with the largest financial institutions. Credit and debit products are important tools in developing and fostering relationships with our members. Finally, interchange fee revenue helps cover the cost of maintaining the system; a cost which, contrary to merchants' arguments, is not negligible.

If interchange fee income is capped, it is doubly painful for credit unions and other small financial institutions. First, it will be more difficult to provide our members a credit or debit card without increasing costs elsewhere. Second, if the institution finds it no longer can offer these products they will lose an incredibly important relationship building tool. In this day and age, it would be literally impossible for a credit union to grow and continue operating if it cannot offer its members this most basic product.

The current interchange fee structure is transparent for retailers. Merchants have argued that they do not know what the fees are for each card. A simple search on Google.com for "Visa interchange rates" or "MasterCard interchange rates" will yield information from Visa and MasterCard respectively on what the rate is for each kind of transaction.

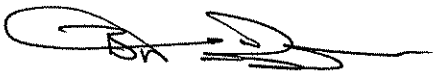
Another significant cost associated with the system is fraud losses. In 2006, there was over \$1.1 billion in plastic card fraud losses. And most of those losses occurred when merchants and retailers failed to safeguard sensitive data. In nearly all situations, it is the financial institution that covers those losses. Federal law caps the amount that can be charged to a consumer if his or her account is fraudulently accessed. Further, many credit unions will reimburse members in full for any fraudulent transactions made on their account.

It is also worth noting that neither the merchants nor retailers have agreed to lower their prices at a level equal to any change on the interchange rate structure and pass on those savings to consumers. In fact, many of the large merchants are approaching this as a way to increase revenue with zero benefit to the consumer.

We urge the Senate to reject any and all efforts to make changes to the interchange rate structure in the Restoring American Financial Stability Act of 2010 (S.3217) or any other legislative vehicle.

Should you have any questions or require any additional information please do not hesitate to contact myself or Javier Sanchez, NAFCU's Associate Director of Legislative Affairs, at 703-522-4770.

Sincerely,



B. Dan Berger  
Executive Vice President,  
Government Affairs

cc: Members of the United States Senate