NAFCU

NAFCU STATEMENT ON INTERCHANGE PRICE CAP RULE HEARING

CONTACT: Patty Briotta
703-842-2820
pbriotta@nafcu.org

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WASHINGTON – NAFCU President Fred Becker issued the following statement in response to a hearing held by the Financial Services Subcommittee on Financial Institutions and Consumer Credit on the impact of the Federal Reserve's proposed rule on interchange fees.

"NAFCU strongly opposes the Federal Reserve's proposed rule to create burdensome new price caps on debit interchange fees. We are pleased that the subcommittee is holding a hearing on this subject and urge immediate legislative action to stop the proposed rule from going into effect later this year.

"The amendment and the proposed rule amounts to a multi-billion dollar give-away to our nation's largest retailers at the expense of our nation's not-for-profit credit unions and their 92 million member-owners. Additionally, there is no provision in this interchange price cap amendment that will guarantee retailers will pass on cost savings to consumers."

"Implementation of this rule is a clear and present danger to credit unions and their ability to serve their 92 million members. Congress must act to stop it. Proponents of this price cap point to a 'carve-out' for institutions under $10 billion; the fact remains that it is essentially toothless as written.

"We believe that congressional action to repeal the interchange price cap amendment, and to delay or prevent the proposed rule from going into effect later this year, is especially warranted given the numerous factors that were not taken into consideration as part of the rule-making process. There should have been more consideration given to fraud losses and data security concerns when drafting any regulation limiting interchange fees."

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Recent NAFCU surveys of its members indicate disastrous consequences from the proposed interchange price cap rule including:

- Nearly 65 percent of credit unions are considering eliminating free checking to help mitigate lost revenue from the debit interchange rule;
- About 67 percent are considering imposing annual or monthly fees on debit cardholders;
- Implementation of this rule could also lead to lower dividends and higher costs of credit, as 52 percent of credit unions may consider reducing rates on deposit accounts;
- 25 percent will consider increasing rates on loans;
- Furthermore, it may lead to job losses, as nearly 19 percent of credit unions will consider reducing staff at their credit unions; and
- Almost 21 percent will consider closing existing branches or postponing plans to open new ones if the capped rate becomes the default rate for all issuers.

"Make no mistake, the only ones who will win are big box retailers, who stand to make billions. Unfortunately, the losers are your Main Street financial institutions and consumers – credit unions and their members."

The National Association of Federal Credit Unions is the only national organization that focuses exclusively on federal issues affecting credit unions, representing its members before the federal government and the public.

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