

May 12, 2010

TO THE MEMBERS OF THE UNITED STATES SENATE:

The undersigned organizations, representing a diverse array of interests including small business, state organizations, dentists, retailers, restaurants, grocery stores, convenience stores and others, write in strong support of S. Amdt. 3932, sponsored by Senator Richard Durbin, regarding interchange fee reforms to S. 3217, the Restoring American Financial Stability Act of 2010 now before the Senate. Unless relief is granted, interchange “swipe fees,” which amounted to \$48 billion in 2008, will continue to rise as card companies and issuing banks seek even higher profits, primarily on the backs of our organizations’ members. This comes at a time when businesses, state agencies and charities – all of whom pay interchange fees – are struggling to help the economy grow again and when consumers can least afford pricing increases.

Despite Congress’ efforts to reign in abusive practices, credit card companies continue to take advantage of a major loophole in financial regulation. In fact, they announced interchange rate increases just months after the passage of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act), effectively circumventing many of the reforms instituted by Congress. More recently, Visa Europe announced last month that it was *voluntarily dropping* debit card interchange fees to 0.2% in Europe, a decrease of 60%, while earlier in the month Visa increased rates on similar transactions in the United States by some 30%. Quite literally, at a rate of approximately 2.0% on debit card interchange fees, which is *10 times higher* in the United States, American businesses are subsidizing European transactions.

Simple, common-sense reforms are needed to correct this market imbalance, which would give our organizations’ members additional tools to manage our costs related to interchange fees. First, the amendment would give the Federal Reserve the authority to conduct an open and fair rulemaking – without prescribing an outcome – in order to develop regulations to ensure that interchange fees imposed on debit card transactions be “reasonable and proportional” to the cost incurred in processing the transaction. Debit transactions are not an extension of credit and are directly drawn from a consumer’s checking account, yet the interchange rate on debit transactions continues to increase. **Small banks, credit unions and thrifts with assets of under \$1 billion would be carved-out from these rules, meaning that 92% of all banks, 98% of all credit unions, and 86% of all thrifts would be exempt, allowing them to continue to receive the same interchange fees they receive today.**

Second, the amendment would prohibit anti-competitive restrictions on discounts and the setting of minimum transaction levels, providing entities with the freedom to choose their preferred method of payment. Under current rules, any business, charity or government agency that

accepts credit or debit cards is prohibited from setting a minimum transaction level, such as \$3, even though the entity may actually lose money on the transaction because of slim profit margins. Visa and MasterCard can and do impose fines on small businesses up to *\$5,000 per day* for such offenses, which has the effect of ensuring that the card companies and big banks turn a profit even if the small business loses money on the transaction. In addition, the amendment allows businesses to incentivize the use of one card network over another (e.g., a discount may be provided for Discover cards if they carry a lower interchange rate) and allows businesses to offer discounts on certain forms of payment (e.g., a discount may be offered for cash, check, PIN debit, etc., all of which carry lower rates than credit cards). **This amendment would not enable merchants to discriminate against debit cards issued by small banks and credit unions. Visa and MasterCard require merchants to accept all cards within their networks, and this amendment does not change that requirement.**

By providing these and other important reforms, the Congress will send a strong message that it supports modernizing and updating our financial payments systems while providing relief to businesses owners who have seen their interchange credit card assessments skyrocket – for many businesses exceeding the cost of providing health care benefits to their employees.

In closing, we are very concerned about the unintended consequences of not addressing interchange fees will have on our industries as the card companies and big banks continue to seek higher profits as a direct result of financial regulatory reform legislation, and other failing portfolios, through ever increasing interchange fees. **We ask that you support S. Amdt. 3932, sponsored by Senator Durbin, to the Restoring American Financial Stability Act of 2010 when it comes up for a vote in order to ensure that financial regulation reform is comprehensive and complete.** We look forward to working with you and your staff to incorporate these meaningful, common-sense reforms as part of the financial regulatory reform legislation.

Sincerely,

National Trade Associations

American Apparel & Footwear Association
American Association of Motor Vehicle Administrators
American Beverage Licensees
American Booksellers Association
American Dental Association
American Home Furnishings Alliance
American Hotel & Lodging Association
American Nursery & Landscape Association

American Veterinary Medical Association
Automotive Aftermarket Industry Association
Consumer Electronics Association
Consumer Electronics Retailers Coalition
Digital Media Association
Drycleaning & Laundry Institute
Entertainment Merchants Association
Food Marketing Institute
Footwear Distributors and Retailers of America
International Association of Airport Duty Free Stores
International Association of Amusement Parks & Attractions
International Council of Shopping Centers
International Festivals & Events Association
International Franchise Association
Jewelers of America
National Association of Chain Drugstores
National Association of College Stores
National Association of Convenience Stores
National Association of Recording Merchandisers
National Association of Shell Marketers
National Association of Theatre Owners
National Associations of Concessionaires
National Council of Chain Restaurants
National Franchisee Association
National Golf Course Owners Association
National Grocers Association
National Home Furnishings Association
National Parking Association
National Restaurant Association
National Retail Federation
National Ski Areas Association
National Small Business Association
NATSO, Representing America's Travel Plazas and Truck Stops
Outdoor Amusement Business Association, Inc.
Outdoor Industry Association
Pet Industry Joint Advisory Council
Petroleum Marketers Association of America
Petroleum Retailers & Auto Repair Association
Retail Industry Leaders Association
Service Station Dealers of America and Allied Trades
Small Business Majority

Society of American Florists
Society of Independent Gasoline Marketers of America
Specialty Equipment Market Association
Taxicab, Limousine & Paratransit Association
Tire Industry Association
Travel Goods Association
United States Association of Importers of Textiles and Apparel
World Floor Covering Association

State Trade Associations

Alaska Cabaret, Hotel, Restaurant & Retailers Association
Arizona Petroleum Marketers Association
Arizona Restaurant and Hospitality Association
Arkansas Hospitality Association
Arkansas Oil Marketers Association
California Independent Oil Marketers Association
California Retailers Association
Colorado/Wyoming Petroleum Marketers Association
Delaware Restaurant Association
Empire State Petroleum Association
Florida Petroleum Marketers Association
Florida Restaurant & Lodging Association
Fuel Merchants Association of New Jersey
Georgia Oilmen's Association
Georgia Restaurant Association
Hawaii Restaurant Association
Idaho Petroleum Marketers and Convenience Store Association
Illinois Petroleum Marketers Association /Illinois Association of Convenience Stores
Independent Connecticut Petroleum Association
Indiana Hotel & Lodging Association
Indiana Petroleum Marketers and Convenience Store Association, Inc.
Indiana Restaurant Association
Kentucky Petroleum Marketers Association
Kentucky Restaurant Association
Louisiana Oil Marketers & Convenience Store Association
Louisiana Restaurant Association
Maine Energy Marketers Association
Michigan Petroleum Association
Michigan Restaurant Association

Mid-Atlantic Petroleum Distributors Association
Minnesota Petroleum Marketers Association
Mississippi Petroleum Marketers & Convenience Stores
Missouri Petroleum Marketers and Convenience Store Association
Montana Petroleum Marketers and Convenience Store Association
Montana Restaurant Association
Nebraska Petroleum Marketers & Convenience Store Association
Nebraska Restaurant Association
Nevada Petroleum Marketers & Convenience Store Association
New Jersey Restaurant Association
New Jersey Retail Merchants Association
New Mexico Petroleum Marketers Association
New Mexico Restaurant Association
New York State Restaurant Association
North Carolina Petroleum & Convenience Marketers
North Dakota Petroleum Marketers Association
Ohio Petroleum Marketers & Convenience Store Association
Ohio Restaurant Association
Oklahoma Petroleum Marketers & Convenience Store Association
Oregon Petroleum Association
Pennsylvania Petroleum Marketers and Convenience Store Association
Pennsylvania Retailers' Association
Petroleum & Convenience Marketers of Alabama
Petroleum Marketers & Convenience Store Association Kansas
Petroleum Marketers & Convenience Stores of Iowa
Restaurant Association Metropolitan Washington
Restaurant Association of Maryland
Retail Council of New York State
Rhode Island Hospitality Association
South Carolina Petroleum Marketers Association
South Carolina Hospitality Association
South Dakota Petroleum & Propane Marketers Association
South Dakota Retailers Association
Tennessee Fuel & Convenience Store Association
Tennessee Hospitality Association
Texas Petroleum Marketers and Convenience Store Association
Texas Restaurant Association
Utah Petroleum Marketers & Retailers Association
Vermont Fuel Dealers Association
Virginia Petroleum, Convenience and Grocery Association
Washington Oil Marketers Association/Pacific Northwest Oil Heat Council

Washington Restaurant Association
West Virginia Hospitality & Travel Association
West Virginia Oil Marketers and Grocers Association
Western Petroleum Marketers Association
Wisconsin Petroleum Marketers & Convenience Store Association
Wisconsin Restaurant Association
Wyoming Lodging and Restaurant Association