

Dear Conferees:

As you work to harmonize the Wall Street Reform and Consumer Protection Act (H.R. 4173) and the Restoring American Financial Stability Act (S. 3217), we wanted to share with you our grave concerns about the inclusion of an amendment that will regulate “interchange fees”—those fees paid between banks as part of every card transaction made by a consumer. This language will devastate credit unions and community banks, while providing no discernable benefits for consumers. As you know, this is an incredibly complex issue that will impact the daily lives of any American consumer who uses a debit or credit card for everyday essentials and large purchases alike.

The electronic payments system, which includes interchange fees, provides benefits that both merchants and customers value. Customers appreciate the fraud prevention services they receive when using debit and credit cards, and merchants benefit from guaranteed payment, lower labor and processing costs, and increased sales. During the Senate’s consideration of the Financial Stability legislation, however, language was added that would interject the Federal Reserve into the electronic payments system by directing the Board to set interchange fees for debit transactions based on a narrow set of factors. The language also provides retailers wide discretion in steering consumers toward preferred methods of payment.

Since its adoption in the Senate, numerous press articles have highlighted the potential unintended consequences of the interchange amendment, particularly its negative impact on consumers. For example, Ron Lieber, the personal finance columnist for *The New York Times*, doubted whether merchants would pass on savings to consumers, and he further observed that consumers could suddenly find themselves paying higher monthly fees to use debit cards, while the prices of the goods they purchased with those cards would remain constant. Additionally, the *Christian Science Monitor* reported that consumers “could be inconvenienced if growing numbers of merchants add minimum-purchase rules that force people to use cash.”

In addition to these concerns, we also have strong reservations about the lack of Congressional review, debate or study about these provisions. The debit rate-setting provision has never been vetted by any committee in either chamber. Furthermore, the recently completed GAO report was almost exclusively dedicated to the impact of related interchange legislation on the credit card market, not the debit card market. Yet that study still concluded that “the costs of [credit] card acceptance might shift from merchants to card holders if interchange fees were limited.” We believe the GAO’s conclusion raises similar concerns about the impact of these changes on consumers of debit cards.

Interchange fees are a genuine concern for many of our constituents, from community banks and credit unions on one side, to merchants on the other, and the customer in between. As the House-Senate conference committee moves forward with broad regulatory reform legislation, we must keep America’s debit- and credit card-using consumers foremost in our mind and legislate only with our eyes wide open, fully knowledgeable of all its impacts. In this instance, there is far too much uncertainty that this sweeping measure will harm both consumers and the small financial institutions that help drive our economic recovery. Accordingly, we strongly urge members of the conference committee and the leadership of our respective parties to object to the Senate language on interchange fees in the final conference report.

Sincerely,