

April 22, 2010

TO THE MEMBERS OF THE UNITED STATES SENATE:

The undersigned organizations, representing a diverse array of interests including small business, state organizations, retailers, restaurants, grocery stores, convenience stores and others, write to express our strong belief that interchange reforms should be included as part of the Restoring American Financial Stability Act of 2010, financial regulatory reform now before the Senate. Unless relief is granted, hidden interchange “swipe fees,” which amounted to \$48 billion in 2008, will continue to rise as credit card companies and their largest 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, the two largest credit card companies announced pricing increases to take effect in April 2010, which is expected to raise some \$1 billion dollars with some of the largest rate increases levied on small businesses.

As November’s U.S. Government Accountability Office (GAO) report found, the “concentration of participants in the credit card network market . . . has raised concerns over competition and pricing.” Whereas normal competitive forces drive down prices in most of our industries, according to the GAO report, just the opposite is occurring with respect to interchange fees, with competition between credit card companies increasing “merchants’ card acceptance costs, as networks increase interchange fees” to the detriment of merchants and consumers.

With unemployment nationally at 9.7 percent, and the prospect of a jobless recovery continuing to mount, the time for additional studies and inquiries into interchange fees has long passed. Dozens of other countries around the world, including the European Union, Canada, Australia, New Zealand and the United Kingdom have all concluded that interchange fees are set in an anticompetitive manner at the expense of businesses and consumers.

Simple, common-sense reforms are needed to correct this market imbalance, which would give our industries additional tools to manage costs related to interchange fees. First, the Federal Trade Commission (or another agency) should examine and reform the restrictive rules and regulations associated with electronic transactions, including providing businesses the

opportunity to set minimum and maximum transaction levels without facing overly burdensome penalties, and the ability to steer customers towards cheaper forms of payment. These rules, unilaterally imposed by the credit card companies on all businesses, are at the heart of the interchange issue and prevent businesses accepting credit cards from taking reasonable actions to control interchange fees.

Second, and equally important, the Federal Reserve should be given the authority to treat debit card transactions like a paper check. Debit transactions are not an extension of credit, and unlike a credit card transaction, the funds are directly drawn from a consumer's checking account. Accordingly, debit card transactions should clear at-par (i.e., face value) just as paper checks do today.

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 and debit card assessments skyrocket – for many businesses exceeding the cost of providing health care benefits to their employees. Yet despite the exorbitant increases handed down by the credit card companies, there is little discernible benefit provided nor explanation given to businesses to justify these actions; only notices of rate hikes.

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 their largest 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 incorporating the interchange fee reforms described above in the Restoring American Financial Stability Act of 2010 to ensure that financial regulatory 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,

American Apparel & Footwear Association
American Association of Motor Vehicle Administrators
American Beverage Licensees
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 Amusement Parks & Attractions
International Association of Airport Duty Free Stores
International Council of Shopping Centers
International Festivals & Events Association
International Franchise Association
International Sleep Products Association
Jewelers of America
National Association of College Stores
National Associations of Concessionaires
National Association of Convenience Stores
National Association of Recording Merchandisers
National Association of Shell Marketers
National Association of Theatre Owners
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

Wood Floor Covering Association