



Interchange Fees

- Credit card interchange fees are the biggest hidden tax you've never heard of. Every time a customer pays with a credit or debit card, the retailer pays the card-issuing bank an interchange fee.
- Visa and MasterCard and their member banks charge American businesses among the highest interchange fees in the world. Interchange fees in the United States average 2% of the cost of every credit card transaction, in some cases a good deal more, compared with 0.79% in the United Kingdom and 0.5% in Australia.
- The nation's two major credit card companies, Visa and MasterCard, control about 80% of the credit card market and in general refuse to negotiate interchange rates with merchants. Instead, they individually collude with card-issuing banks to collectively set high interchange rates—which numerous pending lawsuits allege as a violation of antitrust laws. Bizarrely and anticompetitively, Visa and MasterCard essentially compete with each other to charge higher interchange fees to entice more banks to issue their cards.
- While true competition would drive these fees down, interchange fee payments have skyrocketed from \$16 billion in 2001 to \$48 billion in 2008. Interchange is the largest credit card fee—more than credit card annual fees, cash advance fees, over-the-limit fees, and late fees combined. Because Visa and MasterCard dominate the market, merchants are powerless to refuse their cards and the fees that go with them. To survive, merchants must pass some of these fees onto consumers, costing the average family \$427 last year.
- NATO estimates exhibitors, who are hit at both the ticket booth and the concessions stand, pay around \$100 million a year in interchange fees.
- Consumers are generally unaware of these charges because Visa and MasterCard contractually forbid retailers from showing interchange fees on receipts. Visa and MasterCard also withhold their operating rules from retailers, who must sign agreements to comply without even knowing the voluminous rules and calculation methods dictating their costs.
- Visa and MasterCard base interchange fees on a percentage of the total sale, even though the cost to process transactions is virtually the same regardless of the product's cost. Total fees have more than doubled over the last ten years, while the technology used to process card transactions is more efficient and less expensive.
- Only 13 percent of interchange fees collected by major credit card companies actually goes to cover the cost of transaction processing. Instead, most of the interchange fee goes toward banks' profits, rewards programs and nine billion unsolicited credit card offers clogging mailboxes every year.
- In the 111th Congress, Rep. Peter Welch (D-VT) will reintroduce the Credit Card Interchange Fees Act, which would require credit card companies to disclose their interchange rates, terms, and conditions to businesses and the public. In addition, the bill would empower the Federal Trade Commission to review these rates and rules and prohibit any practices that violate consumer-protection or anticompetitive laws. House Judiciary Chairman John Conyers and Senator Dick Durbin also will reintroduce the Credit Card Fair Fee Act in their respective chambers. That legislation would provide limited antitrust immunity to allow merchants to collectively negotiate interchange fees with Visa and MasterCard. NATO supports both bills.