



FOR THE RECORD

Corporate Office: N25W23131 Paul Road, Suite 500, Pewaukee, WI 53072-5779
 Credit Union House: 1 East Main St., Suite 101, Madison, WI 53703-5109

Interchange fees: why the regulatory reform bill before Congress will harm consumers

Consumers are asking Congressional conferees to remove a Senate interchange amendment from the financial regulatory reform bill because it will have unintended consequences for all debit card users. The amendment, which saw no study, hearings or debate:

■ **Unfairly shifts costs away from retailers.** Currently, merchants pay a miniscule portion of the costs involved in the debit card payments system, called an interchange fee (usually about 2% per transaction). But while these retailers reap handsome benefits (see the box below, bottom right), the fee they pay covers little of the back-end burden (same box, top left) to run the system.

■ **Heaps new costs on consumers.** Nothing in the amendment requires retailers to lower prices for consumers based on the cost savings they stand to gain. But because retailers' costs would go down, card-issuers' costs would go up. So credit unions would be forced to pass those costs on to members, such as through new annual fees or other increased costs for checking account services.

■ **Has no place in the reform bill.** The bill aims to safeguard how our financial system operates to prevent an economic meltdown. The amendment addresses none of this. Instead, it harms consumers on a single service.

■ **Eliminates choice.** Consumers will lose their freedom at the checkout because merchants could dictate how they pay. For example, merchants in effect could charge higher prices based on the card a customer is using. Further, merchants could set minimum and maximum purchase requirements for any purchase made with a card.

■ **Will eliminate many credit unions' debit card programs.** Because the amendment allows merchants to favor certain institutions, credit unions' cards will be rendered uncompetitive. Many credit unions will have no choice but to stop offering them.

1/3 of the entire state, U.S. population will be hurt

98% of credit union members belong to a credit union that offers debit card services. The interchange amendment will negatively affect most of the 92 million credit union members in the United States including the 2.2 million of them that live in Wisconsin.

Interchange price-fixing: a failed experiment

When the Australian government mandated a similar reduction in interchange fees, plastic cardholders saw their annual fees rise and benefits like frequent flier programs shrink.

How the debit card system works

	Credit Unions	Merchants
Responsibilities	100% of card issuing expenses. 100% of card operating expenses. 100% of fraud losses. 100% of statement/call center services.	2% interchange fee.
Benefits	Members have a safe, easy payment method. Members carry zero liability for fraud. Members get interest-free payment on all purchases. Members enjoy worldwide & universal acceptance.	Immediate, guaranteed payment. Shoppers afforded greater convenience, safety. Increase in goods/services purchased. Lower costs handling checks, currency and related losses.

For additional information, please contact:

Tom Liebe, Vice President of Government Affairs • The Wisconsin Credit Union League
 (262) 408-6016 • (800) 242-0833, Ext. 6016 • tliebe@theleague.coop • www.theleague.coop