

**INTERCHANGE FEE LEGISLATION:  
CREDIT UNIONS RELY ON INTERCHANGE TO SUPPORT  
THE DEBIT AND CREDIT CARD PROGRAMS THEY OFFER TO THEIR MEMBERS**

**Merchants are asking Congress to reduce their interchange obligation, which would reduce competition and increase costs for the consumer.**

- An interchange fee is one of the fees merchants pay to benefit from the established card payment system. Interchange is payable to the card-issuing credit union to support the operational framework for the consumer's debit and credit card transactions. In return for the merchants' interchange fee, the credit union assumes the expenses and risks of debit cards and credit cards.
- The merchants support three bills to reduce their interchange obligation. H.R. 2695 was introduced by House Judiciary Committee Chairman John Conyers. The bill would have given merchants an antitrust exemption in interchange negotiations. A similar bill, S. 1212, was introduced by Senator Dick Durbin (D-IL). Representative Welch introduced H.R. 2382, a bill that would give merchants the power to discriminate against cards preferred by the consumer and refuse cards issued by credit unions. Credit unions strongly oppose these three bills and testified against H.R. 2382 on October 8, 2009, before the House Financial Services Committee.
- In November 2009, the Government Accountability Office (GAO) submitted an interchange report to Congress. As consumers continue to increase their use of debit and credit cards, merchants will see a corresponding increase in their interchange responsibility as dollar volumes grow. However, the GAO report states that if proposed legislative action were to reduce the merchants' obligation for the system, consumers may face higher costs for using their cards (GAO-10-45, p. 45, November 2009). In summary, the consumers would lose under the merchants' proposals. Without sufficient interchange revenue, credit unions may not be able to issue competitive credit cards for their members.
- The card-issuing financial institutions and the payment card networks believe interchange is a balanced fee supporting the value of debit cards and credit cards to consumers and merchants alike. The card coalition is known as the Electronic Payments Coalition (EPC) and their web site is [electronicpaymentscoalition.org](http://electronicpaymentscoalition.org). CUNA is a member of the EPC.
- Merchants will pursue their interchange legislative agenda through multiple venues. As broad financial reform moves through the Senate, the merchants may pursue an amendment strategy to address interchange in a comprehensive bill. In addition, the merchants may focus on interchange related to charitable contributions, as evidenced by the merchant response to the card networks' actions on interchange for Haiti contributions through select charitable organizations. Other strategic possibilities for the merchants include an emphasis on the card networks' prohibition on surcharging and a committee hearing on H.R. 2695.

**Interchange affects all credit unions who issue debit cards and/or credit cards to their members.**

- Of the approximately 90 million credit union members nationwide, 98% belong to a credit union offering debit cards and 84% belong to a credit union offering credit cards.
- While merchants inaccurately describe interchange as a “hidden fee” affecting their ability to do business, to credit unions and their consumer-members, interchange is transparent and critical to today’s basic banking services of debit and credit cards.

**Reducing interchange would have a detrimental impact on credit unions and their members.**

- **Increased costs:** For consumer-members, the merchants’ proposed legislation would result in cost-shifting from merchants to consumers and increased fees for consumers to obtain debit and credit cards.
- **Decreased competition:** Interchange enables credit unions of all sizes to issue debit and credit cards for its members. Debit and credit cards obtained through credit unions offer competitive rates and consumer-friendly terms.
- **Unfair disruption of marketplace:** The merchants’ legislative proposals would unfairly disrupt a functioning marketplace by giving merchants the ability to discriminate or refuse cards presented by a consumer, and thus impacting the ability of a credit union to offer a competitive card program.