

# Interchange Works: Protect Consumers' Credit Cards

Consumers across the country rely on credit cards to make life happen, from paying for groceries and school supplies to covering emergency car repairs or medical expenses. Accepted nearly everywhere, credit cards offer robust security, fraud protection, and access to credit that may not otherwise be available.

**Interchange fees, which are only a fraction of a cent per dollar transacted, make this possible. Interchange keeps consumers, merchants, and financial institutions safe.**

## Accessible credit

Consumers often rely on credit cards to build credit and gain access to funds that otherwise may not be available to them, something not available with debit cards. Credit unions work with their members to address their needs.

Credit cards and credit union members:

- **79%** of credit unions offer secured credit card programs to help build credit<sup>1</sup>
- **\$2,800** is the average carried balance for a credit union credit card<sup>2</sup>
- **69%** of credit unions offer free financial literacy education and credit counseling

## Consumers value security and availability

Interchange fees cover the cost of fraud detection, credit monitoring, and fraudulent purchase protection that make consumers and merchants whole when bad actors attack.

Consumers use credit cards for their ease-of-use, robust security, and fraud protection<sup>3</sup>:

**95%**

think the current system  
works well

**52%**

say it is "excellent"

**92%**

say keeping personal  
information secure from  
data breaches is a priority

**87%**

want a card widely  
accepted by all vendors

**90%**

want to be protected from  
fraudulent purchases

## Changes to interchange mean changes to credit

The robust security features that make credit cards so appealing to consumers come at a cost. Interchange fees cover those costs, but increasing fraud and the possibility of reduced interchange fees pose a real threat to data security.

<sup>1</sup> CUNA Interchange Survey, 2022

<sup>2</sup> CUNA, Operating Ratio and Spreads, YE 2021 report

<sup>3</sup> CUNA/Frederick polling, July 2021. Percentage of respondents reporting factors that are "very important" in choosing a credit card.

## Fraud: A growing threat

From data breaches to skimmed cards, electronic payments are a prime target for bad actors. The rate — and cost — of criminal activity is on the rise.

### Credit card fraud is a big problem

2nd largest type of identity theft reported in 2021.

### 422 million individuals

affected by data breaches in 2022.<sup>8</sup>

### 36% of consumers<sup>4</sup>

received a new card due to fraud or data breach in the past two years.

### Fraud rates doubled in 10 years<sup>5</sup>

Between 2011-2021, fraud grew for consumers and credit unions.

## Putting a price tag on fraud compared to interchange

When a merchant's systems are breached, or a card is otherwise compromised, financial institutions - including credit unions - absorb a significant portion of the cost.<sup>6</sup>

- **\$1,600/per card** — The average fraud payout in 2020
- **\$6.50** — Average cost to replace contactless cards
- **\$90/per card** — Credit union average interchange revenue each year
- Credit card costs = **23 cents MORE per transaction** than interchange revenue
- Card program costs are **1.6 times** more than interchange revenue

Many issuers also provide fraud and credit monitoring to keep consumers safe. Weakening interchange weakens the protections afforded to consumers who rely on this critical payment system.

## What's at stake

Reduced interchange rates would inhibit credit unions' ability to offer credit cards:<sup>7</sup>

- **73%** estimate they would have to raise credit card rates
- **61%** estimate they would have to implement or raise the credit card program fee
- **15%** would have to reduce or eliminate their card program

## THE BOTTOM LINE: INTERCHANGE WORKS

### Consumers win

with easy-to-use credit

### Merchants win

with guaranteed payments

### Financial institutions win

with a safe product for consumers

**This fraction of a cent keeps credit available to consumers, while protecting them—and merchants—from fraud.**

For more information, visit [protectinterchange.com](https://protectinterchange.com)

<sup>4</sup> Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions. Board of Governors of the Federal Reserve System (May 2021).

<sup>5</sup> National Voter Survey, CUNA/Frederick/Cygnal, January 2023.

<sup>6</sup> CUNA/Frederick polling, July 2021 // National Voter Survey, CUNA/Frederick/Cygnal, January 2023

<sup>7</sup> CUNA/Frederick polling, July 2021.

<sup>8</sup> 2022 Data Breach Reports, Identity Theft Resource Center, [idtheftcenter.org](https://idtheftcenter.org), page 2