

# Interchange Works: Protect Consumers' Credit

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 have come to 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 cards usage at America's credit unions:

- **75%** of credit unions offer credit card programs to help build credit
- **\$8,000** — Average credit card line of credit
- **\$31,000** — The average amount of credit extended to credit union member
- **3.8 credit cards** — The average number of credit cards credit union members hold

## 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>1</sup>

**86%**

Personal information is  
secure from data  
breaches

**84%**

Card is widely accepted  
by all vendors

**83%**

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.

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<sup>1</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.

### 15 billion consumer records

are available for purchase for sale to thieves.

### 300+ million individuals

affected by data breaches in 2020.

### Fraud rates have doubled

Since 2011, fraud has become an increasing cost for financial institutions.<sup>2</sup>

### 8.6¢ per transaction

Average cost credit unions assume to protect consumers from a data breach.

## Putting a price tag on fraud

When a merchant's systems are breached, or a card is otherwise compromised, financial institutions absorb a significant portion of the cost.<sup>3</sup>

- **\$1,600/card** — The average fraud payout in 2020
- **\$6.50** — Average cost to replace contactless cards
- **36%** — Number of credit unions reporting greater fraud losses, from 2019-2020

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>4</sup>

**73%**

would have to raise credit card rates.

**61%**

would have to implement or raise credit card program fee.

**15%**

would have to reduce or eliminate card program.

## THE BOTTOM LINE: INTERCHANGE WORKS

### Consumers win

with access to 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.**

<sup>2</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>3</sup> CUNA/Frederick polling, July 2021.

<sup>4</sup> CUNA/Frederick polling, July 2021.