April XX, 2022

Senator XX

United States Senate

Washington, DC

Dear Senator XX,

On behalf of XX credit unions, I am writing regarding the Senate Judiciary Hearing, “Excessive Swipe Fees and Barriers to Competition in the Credit and Debit Card Systems.” The XX League represents XX credit unions and their more than XX members.

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.

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

The rate—and cost—of criminal activity is on the rise, and when a merchant’s systems are breached, or a card is otherwise compromised, financial institutions absorb a significant portion of the costs.

* $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

It is imperative to recognize the fundamental difference of credit cards as opposed to debit cards. Credit cards represent an extension of unsecured credit to a consumer, meaning that financial institutions make a loan to a consumer every time a credit card is used to purchase goods or services from a retailer or merchant. Consumers have come to rely on credit cards from their community financial institutions to build credit and gain access to funds that otherwise may not be available to them. Expansion of the Durbin Amendment to the credit market will cause the cost of these low-cost loans to increase, leading to less spending power for consumers and possibly the reduction in important credit building and educational programs offered by financial institutions. Although credit unions are laser focused on providing the best and lowest cost financial services to all Americans, especially those who need it most, we fear the continued government forced reduction in revenue and increased compliance costs will further lead to the reduction in locally operated financial institutions while making the delivery of financial services more difficult.

The largest retailers are asking you, once again, to expand interchange regulations to limit their costs and add to the growth they have achieved amidst the pandemic while so many small businesses were forced to close. Restrictions on credit interchange would take critical resources away from small financial institutions that work day in and day out to serve their communities and force them to choose between funding vital programs that benefit their communities or continuing to operate card programs that provide lines of credit to members who would not be able to obtain them otherwise.

On behalf of XX credit unions and their XX members, we ask you to continue to allow credit unions to provide low-cost loans through credit cards to their members and support their ability to continue serving their communities. Thank you for your consideration in this matter.

Sincerely,