



Dear Senator:

We, the undersigned, are writing to express our strong opposition to any amendments to S. 3217 that seek to affect interchange rates and the rules established by payment card networks. In every one of the approaches proposed by merchant lobbyists, these amendments will deliver devastating consequences to community banks and credit unions, the very financial institutions most committed to building communities and serving local consumers. By striking at the very core of our local economies, these small financial institutions will be squeezed out of the marketplace by a protected class of large retailers bent on reaping more profits.

The undersigned trade associations collectively represent more than 16,000 small financial institutions that offer debit and credit card products to their millions of customers – with thin margins at best – as a loyalty building and customer service tool. Proposed amendments that would have the government arbitrarily setting fees for debit cards would likely force small financial institutions to stop issuing these products altogether. Customers of these community institutions would have fewer choices with reduced competition in the market.

In Australia, where regulators forced down interchange rates below market value, this is precisely what happened. Merchants saw hundreds of millions of dollars in increased revenue, with no evidence that consumers saw any savings at the register. Moreover, consumers saw the return of annual fees on their cards, reduced or eliminated rewards programs, and a less competitive marketplace for payment cards.

Another proposed amendment would allow merchants to discriminate against certain cardholders at the register, and allow merchants to arbitrarily set minimum and maximum amounts for customers to use their cards. Consumers would be vulnerable to surprises at the register when they find that the card in their wallet is rejected because they spent too much or not enough. Consumers also will be surprised to learn their preferred cards will end up costing them more than other forms of payment.

The current system allows the small financial institutions that we represent to compete on a level playing field with the largest financial institutions in the world. These amendments would leave us in an extremely weak position relative to our larger counterparts, some of whom might be able to survive such government intervention with greatly reduced offerings. Attempts to provide a “carve out” do not help us. Instead they are likely to carve us out of the market entirely.

At this point, **no hearing on these issues has been held by any Senate committee.** We strongly urge you and your fellow Senators to appropriately examine the potentially devastating consequences of any

amendments of this nature before taking action that would harm our nation's small financial institutions, their customers, and our economic recovery.

Sincerely,

American Bankers Association

Credit Union National Association

Independent Community Bankers of America

National Association of Federal Credit Unions