



Credit Union National Association

cuna.org

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June 21, 2010

The Honorable Barney Frank
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Spencer Bachus
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairmen Frank and Dodd, and Ranking Members Bachus and Shelby:

On behalf of the Credit Union National Association (CUNA), I am writing regarding the House Proposed Amendment to Title X of the Conference Base Text of H.R. 4173, the Wall Street Reform and Consumer Protection Act, specifically Section 1076, Reasonable Fees and Rules for Payment Card Transactions (the Interchange Provisions). CUNA is the largest credit union advocacy organization in the United States, representing nearly 90% of America's 8,200 state and federally chartered credit unions and their 92 million members.

While we appreciate the effort that several of the Conferees have taken in an attempt to improve the Interchange Provisions since Senate passage, we continue to have grave concerns regarding the effect that these provisions would have on credit unions and their members. The House Offer fails to address the most significant concern of credit unions, specifically that the carve-out envisioned by the provisions is unworkable and not meaningful. Nothing in the House Offer directs the payment card networks to operate the two-rate system that would be necessary for the carve-out to work, nothing in the House Offer includes enforcement provisions to require merchants to accept credit union cards were a two-rate system to exist; further, the legislation provides significant disincentives for payment networks to honor the carve-out by implementing a two-rate system.

Inasmuch as the carve-out fails to protect small issuers, credit unions have significant concerns with the regulatory process envisioned under the House Offer. While the Federal Reserve, when fixing the debit interchange rate, is directed to consider fraud prevention costs, it is specifically prohibited from considering other operational costs that support the infrastructure necessary to operate debit card programs. While we oppose the



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government price-fixing proposed by this provision, if the government is going to set a price, we believe that all reasonable costs should be taken into consideration. Failure to do so will result in an artificially low debit interchange rate that will result in credit unions and other small financial institutions recouping losses on their debit card programs through other means. Should H.R. 4173 be enacted with this amendment, the lasting legacy of the Wall Street Reform and Consumer Protection Act could very well be monthly account maintenance fees or other fees on checking accounts. These types of fees have a disproportionate effect on low- and moderate-income consumers, the consumers most likely to be credit union members.

Nearly everyone recognizes that credit unions and community banks did not cause the financial meltdown and that they had no part in it; however, credit unions and community banks continue to be collateral damage, even in the proposed solutions. This is especially the case with this amendment. Therefore, we encourage the Conference Committee to remove Section 1076 entirely from the Base Text, or at least to modify the provision to include a more realistic and fair delineation of costs to be considered and to add enforcement provisions to the prohibition of merchant discrimination against credit union-issued payment card. We would be happy to discuss our concerns with you further. In the absence of significant improvements to or the removal of this section, we would almost certainly oppose the enactment of H.R. 4173.

On behalf of America's credit unions and their 92 million members, thank you very much for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive, flowing style.

Daniel A. Mica
President & CEO

cc-Members of the United States Senate
-Members of the United States House of Representatives