



Credit Union National Association

cuna.org

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July 28, 2010

The Honorable Susan Collins
United States Senate
Washington, DC 20510

Dear Senator Collins,

On behalf of the Credit Union National Association (CUNA), I am writing in support of your amendment to the Financial Services and General Government Appropriations Act for Fiscal Year 2011. CUNA represents nearly 90% of America's 7,700 state and federally chartered credit unions and their 93 million members.

Your amendment strikes language in the bill that would prohibit the payment card networks from charging the Federal Government an interchange rate on credit card transactions that is higher than the lowest market rate, and in its place adds language directing the Government Accountability Office to conduct a study on the feasibility of allowing the Federal Government to impose convenience fees for the use of credit cards for the purchase of goods and services.

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act included provisions that will significantly reduce the interchange revenue credit unions receive; this revenue is designed to cover the cost of offering debit card services to credit union members. However, because we expect debit interchange revenue to be reduced significantly, many credit unions will be forced to recoup anticipated losses through other means, namely new or increased fees on members. Therefore, as a direct result of this provision, credit union members and other consumers will be harmed.

Proponents of the interchange language in the Dodd-Frank Act as well as the underlying language believe that they are targeting big banks and the payment card networks, and profess that their intent is not to harm small issuers. Their attacks against these entities miss the mark badly. The stinging impact of the reduction of interchange fee revenue hits the smaller institutions disproportionately, and, in the case of credit unions, trickles down to the credit union member. Large for-profit institutions can more easily absorb a reduction in interchange fee revenue; and, inasmuch as the interchange fee is a fee paid to the issuer, the impact on the payment card networks is negligible. The erosion of interchange fee revenue seriously threatens credit unions' ability to offer low-cost access to financial services that is often much lower than what banks offer.



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The language in Financial Services and General Government Appropriations bill would further erode interchange revenue, further harming credit union members. We appreciate your offering an amendment that strikes this language, and encourage the Appropriations Committee to approve it.

On behalf of America's credit unions, thank you very much for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping horizontal line extending to the right.

Bill Cheney
President & CEO