



Credit Union National Association

cuna.org

BILL CHENEY
President & CEO

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | **PHONE:** 202-508-6745 | **FAX:** 202-638-3389

May 12, 2011

The Honorable Jon Tester
United States Senate
Washington, DC 20510

The Honorable Bob Corker
United States Senate
Washington, DC 20510

Dear Senators Tester and Corker:

In April, I wrote to you regarding the data breach at Sony which compromised the personal data – including debit and credit card numbers – of over 100 million consumers. Sadly, this week, another major merchant data breach was announced when Michaels, a big-box craft store, notified its customers that their credit and debit card data could have been compromised in a breach that occurred in Illinois and 19 other states.

Michaels customers were advised to contact their credit union or bank as a result of this merchant breach. When they do so, the customer is likely to find that their credit union or bank will cancel the compromised card and reissue a new card at no cost to the consumer. However, there is a cost to taking this action – and it is borne by the card issuer, not by Michaels, Sony or any other merchant whose negligence leads to a data breach. What makes it possible for card issuers to cover this cost – as well as the cost of any fraudulent transactions which may occur as a result of the breach – is the interchange revenue merchants pay card issuers as their fair share of the cost of the payments system.

We appreciate your continued support for legislation (S. 575) to delay the implementation of Section 1075 of the Dodd-Frank Act. Based on the Federal Reserve Board's proposed debit interchange rule, it is clear that the small issuer exemption provided by Congress will not work and that credit unions and small banks will be affected by the regulation in a manner that Congress did not intend. If Congress fails to act and the debit interchange regulation is allowed to be implemented, credit unions across the country will be forced to bear even more of the cost of merchant data breaches while the merchants responsible for the breaches not only continue to escape responsibility for their data breaches but also receive a windfall thanks to government price controls. In the end, consumers lose if the proposed rule goes into effect: they will face new or additional fees to use their debit cards and their personal data will continue to be lost by merchants who bear no responsibility to reimburse those impacted by their data breaches.



PO Box 431 | Madison, WI 53701-0431 | 5710 Mineral Point Road | Madison, WI 53705-4454 | **PHONE:** 608-231-4000

The Honorable Jon Tester
The Honorable Bob Corker
May 12, 2011
Page Two

The two-year delay proposed by your legislation will provide time to study the impact of Section 1075 on consumers, debit card issuers and merchants, and for Congress to address potential changes to the law as a result of this study. On behalf of America's credit unions and the 93 million members, thank you for your support of S. 575. We encourage the Senate to pass this legislation as soon as possible.

Best regards,

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