

**United States Senate**  
Washington, DC 20510-1304

October 4, 2011

Linda Koch  
President and CEO  
Illinois Bankers Association

Dan Plauda  
President and CEO  
Illinois Credit Union League

Robert Wingert  
President  
Community Bankers Association of Illinois

Dear Ms. Koch, Mr. Plauda and Mr. Wingert:

As you know, several of the largest banks have recently announced they will charge consumers for debit card usage. In response, many consumers in Illinois and across the country are looking to move their deposit accounts from these banks to smaller financial institutions that value their customers more. Now is the moment for smaller banks and credit unions to make crystal clear to these consumers the superior benefits and customer service that your institutions provide compared to the Wall Street giants. I strongly urge your institutions to seize this competitive opportunity, as this will serve both consumers' best interests and your own.

We have also corresponded on numerous occasions about the interchange reform legislation that I authored and that Congress enacted last year. As we have discussed, this law sought to constrain the debit interchange price-fixing that card networks perform on behalf of giant banks while carefully protecting the ability of small banks and credit unions to compete in the debit card issuance market. Your institutions expressed concern that Visa and MasterCard, which fix interchange rates, might not adopt a two-tier rate schedule with separate categories for large regulated banks and smaller unregulated institutions. This concern has proved unfounded, as Visa and MasterCard have both adopted two-tier schedules that will enable your institutions to continue receiving the rates you are accustomed to.

Additionally, we have corresponded previously about your concern that Visa and MasterCard might act in collusion with large banks to adjust rates over time in a way that diminishes the ability of smaller institutions to issue debit cards. I want you to know that I have been alert to this possibility, and that I am committed to protecting small institutions against such actions by the card networks and big banks. As part of this commitment, I recently included important committee report language in my bill providing Fiscal Year 2012 funding for the Federal Trade

Commission. This language directs FTC to issue a report within one year on steps FTC has taken in its statutory role of ensuring card network compliance with the interchange reform law. Specifically, I directed FTC to state in its report “whether FTC has identified any evidence that payment card network companies have taken steps to diminish the ability of small banks and credit unions to successfully compete with large financial institutions in the debit card issuance market, and if any such steps have been taken by the card network companies in coordination or collusion with large financial institutions.” Firm oversight of the card networks by the FTC will help ensure that your institutions continue to be protected by interchange reform.

Finally, in response to concerns that merchants may discriminate against cards issued by small banks and credit unions, I wrote you in May to alert you to a letter I received from 20 national merchant associations representing a significant percentage of America’s retailers. The merchant groups made clear in their letter that they do not have the contractual authority, the practical ability, or the economic incentive to discriminate against debit cards issued by small banks or credit unions. They also stated their clear commitment to ensuring that the new law’s small issuer exemption will work in the marketplace. I am attaching that letter for your convenience.

Despite the scare tactics that many have used against interchange reform, developments continue to confirm what I have long claimed: that small banks and credit unions will not be hurt by this reform and will in fact see benefits from it. If you or your members have questions about reform please feel free to contact my office.

Thank you for your attention to these matters. I look forward to continuing to work with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Dick Durbin", written in a cursive style.

Richard J. Durbin  
United States Senator

cc:

Credit Union National Association  
Independent Community Bankers of America