

UNFAIR CREDIT CARD FEES.COM

May 2, 2011

The Honorable Dick Durbin
Majority Whip
United States Senate
Washington, DC 20510

Dear Senator Durbin:

We understand that some in the financial services industry are claiming that the Durbin Amendment exemption from interchange “swipe fee” regulation for financial institutions with assets under \$10 billion will not be effective in practice because merchants will discriminate against debit cards with higher swipe fees. On behalf of the undersigned trade associations, and the tens of thousands of merchants and retail locations we represent, we are writing to make clear that we have no contractual or practical ability to treat debit cards issued by small financial institutions or credit unions differently than those issued by large institutions. Furthermore, our member companies are committed to customer service and it is not in their interest to discriminate against debit cards that so many customers carry.

Currently, merchants are subject to Visa and MasterCard network rules that require us to accept all Visa and/or MasterCard debit, regardless of which bank or credit union issues the card. This is called the Honor All Cards rule and we risk the threat of \$5,000 per day fines -- or higher -- if we break this rule, so we assure you that merchants have no intention of violating this term of brand acceptance. These rules also prevent merchants from pricing goods differently based upon the financial institution that issued the card.

Additionally, even if these rules were not in place, merchants have no practical ability at the point-of-sale to distinguish between big bank and small bank cards, nor the swipe fee rates associated with those cards. Indeed, in many if not most retail environments, employees never see the face of the card the customer is using: the customers swipe their cards themselves.

Lastly, even if merchants could differentiate between card issuers, there are no market or economic incentives to discriminate against mid-sized and smaller financial institutions’ cards. If a customer wants to pay with a card, merchants will let them use



Merchants Payments Coalition | www.unfaircreditcardfees.com
325 7th Street NW, Suite 1100, Washington, DC 20004
info@unfaircreditcardfees.com

that card because the retail industry is fundamentally all about competing to deliver value and customer service. If merchants didn't accept the card, they would risk losing the sale and losing the customer; a risk very few in the competitive retail industry are willing to take. Additionally, most consumers only have one debit card in their wallet. We would absolutely prefer they pay with that debit card, rather than with a credit card, because while debit card per transaction rates have grown exponentially over the past several years, *credit card* swipe fees are far higher and continue to be a significantly more costly burden on businesses of all sizes.

We appreciate the opportunity to set the record straight regarding the many misrepresentations being made about the Durbin Amendment, and you have our commitment that the retail community across the nation will do its part to help ensure that the exemption of financial institutions with less than \$10 billion in assets from the swipe fee reforms on debit cards will work in the marketplace.

Sincerely,

American Beverage Licensees
Coalition of Franchise Associations
Food Marketing Institute
Interactive Travel Services Association
International Franchise Association
National Association of College Stores
National Association of Community Pharmacists
National Association of Convenience Stores
National Association of Shell Marketers
National Association of Theatre Owners
National Association of Truck Stop Operators
National Council of Chain Restaurants
National Franchise Association
National Grocers Association
National Restaurant Association
National Retail Federation
National Small Business Association
Petroleum Marketers Association of America
Retail Industry Leaders Association
Society of Independent Gasoline Marketers of America

CC: Members of the United States Senate

Members of the United States House of Representatives

Hon. Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System

Hon. Janet Yellen
Vice Chair
Board of Governors of the Federal Reserve System

Hon. Elizabeth Duke
Member
Board of Governors of the Federal Reserve System

Hon. Daniel Tarullo
Member
Board of Governors of the Federal Reserve System

Hon. Sarah Bloom Raskin
Member
Board of Governors of the Federal Reserve System

Hon. Timothy F. Geithner
Secretary
Department of the Treasury

Hon. Sheila Bair
Chairperson
Federal Deposit Insurance Corporation

Mr. John Walsh
Acting Comptroller
Office of the Comptroller of the Currency

Hon. Debbie Matz
Chairman
National Credit Union Administration

Hon. Karen G. Mills
Administrator
Small Business Administration