



Credit Union National Association

cuna.org

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June 6, 2008

Members of United States Senate
Washington, DC 20510

Dear Senator:

On behalf of the Credit Union National Association (CUNA), I am writing to express our opposition to S. 3086, the "Credit Card Fair Fee Act." CUNA is the nation's largest credit union advocacy organization, representing 90% of our nation's approximately 8,300 state and federal credit unions, their state credit union leagues, and their more than 90 million members.

S. 3086 would impose unnecessary regulation over the card transaction interchange fee process by establishing a costly governmental tribunal that would be authorized to impose its decisions on a system that is more appropriately governed by the market. Government interference in this working market stands to harm all participants, including consumers, merchants and financial institutions.

For merchants, the greatest benefit of the current system is guaranteed payment when a credit card transaction goes through. The risk of non-payment lies with the entity that issued the credit card to the consumer (e.g., the credit union), and therefore part of the transaction fee flows with the risk. While proponents of S. 3086 argue that interchange fees are becoming an increasing burden on their ability to do business, we believe that the current payment processing system directly contributes to the success of the retailer in guaranteed payment, increased sales, and the ability to competitively contract for payment processing services.

A merchant has many choices when it comes to selecting an entity to process its card-based transactions. They can work directly with any one of the thousands of acquiring banks, engage their trade association for processing services or go to other processors, like Costco. The Philadelphia Federal Reserve Bank noted in an October 2007 study that approximately 1.4 million merchants change acquiring relationships each year, in large part because of price shopping.¹ The number of options available to merchants and the fact that they actively change processors to get the best price available provides clear evidence that the payment processing system is competitive and the market is working.

¹ Federal Reserve Bank of Philadelphia. "The Merchant Acquiring Side of the Payment Industry: Structure, Operations and Challenges" October 2007, p. 18.



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Supporters of this legislation also assert that consumers would benefit from government interference, but there is no clear indication that this objective will be met. In fact, the opposite is more likely to be the case. Government-imposed price controls on interchange fees are more likely to increase credit and debit card costs that consumers bear, and make convenient credit less available. The uncertainty surrounding this legislation makes it unlikely that consumers will see any benefit.

We urge you to oppose the legislation.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive style with a large, prominent 'D' at the beginning.

Daniel A. Mica
President & CEO