



May 14, 2008

Dear Member of Congress:

We, the community banks, credit unions, state banking trade associations and individual companies that make up the Electronic Payments Coalition (EPC), are writing to express our strong opposition to H.R. 5546, the Credit Card Fair Fee Act. Introduced by Reps. John Conyers (D-MI) and Chris Cannon (R-UT), this legislation would create a new government bureaucracy and appoint a tribunal of bureaucrats to set rates and terms for interchange fees.

Even a cursory read of the bill reveals that this is nothing short of price controls. The bill refers to determining and/or establishing rates and terms 13 times; a full 35 pages of the 45 page bill is dedicated to describing the price control scheme and the price-setting panel. History tells us that price controls don't work, plain and simple, and actually end up doing more harm than good for consumers.

One need not look to the distant past for evidence of the negative consequences of government intervention in the marketplace. In Australia, where the government arbitrarily capped interchange fees, consumers now pay 22 percent more in annual fees for standard credit cards, and as much as 77 percent more for rewards cards. Moreover, a recent study found that despite these “undeniable losses to consumers,” there is no evidence that merchants passed any savings on to their customers. (Robert Stillman, et. al., “Regulatory intervention in the payment card industry by the Reserve Bank of Australia: Analysis of the Evidence” (28 April 2008)). We recognize that large retailers and successful small enterprises look for every opportunity to reduce their costs of doing business, but as the Australia example illustrates, asking the government to do it for you is bad public policy that will harm consumers.

Smaller financial institutions such as community banks and credit unions would be profoundly impacted if price controls were imposed on interchange fees. Both depend on interchange revenue to provide a unique and localized brand of customer service, a hallmark of these community-centered institutions. If caps were imposed, community banks and credit unions would be unable to compete with larger, global institutions. Ultimately, reduced choice in the marketplace would restrict consumer access to affordable credit and debit options. We can think of no worse time, given the state of the economy, to entertain such a dangerous outcome.

The electronic payments system has never been more important to American consumers and businesses. Today, 73 percent of American households have credit and debit cards, which they use to purchase more than \$2.4 trillion in goods and services annually at well over 7 million U.S. locations. The vast, global system successfully processes more than 10,000 transactions per second around the world.



Electronic Payments Coalition

We strongly urge you to oppose H.R. 5546, an ill-conceived bill that would do far more harm than good in many different crucial segments of the U.S. economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter T. Madigan".

Peter T. Madigan  
Executive Director

Membership of the EPC

Advanta Corporation  
Alabama Bankers Association  
American Bankers Association  
American Express Company  
American Financial Services Association  
Bank of America  
Barclays Bank  
California Bankers Association  
Capital One Financial Corporation  
Card Services For Credit Unions, Inc.  
Citi  
Colorado Bankers Association  
Comdata  
Consumer Bankers Association  
CO-OP Financial Services  
Credit Union National Association  
Delaware Bankers Association  
Financial Services Roundtable  
Florida Bankers Association  
Georgia Bankers Association  
Hawaii Bankers Association  
Hawaii Financial Services Association  
HSBC North America  
Illinois Bankers Association  
Independent Community Bankers of America  
Iowa Bankers Association  
JPMorgan Chase  
Maine Bankers Association  
Maryland Bankers Association  
Massachusetts Bankers Association

MasterCard Worldwide  
Mid-Atlantic Financial Services Coalition  
Minnesota Card Coalition  
Mississippi Bankers Association  
Montana Bankers Association  
National Association of Federal Credit Unions  
Nebraska Bankers Association  
Nevada Bankers Association  
New Hampshire Bankers Association  
New Mexico Bankers Association  
New York Bankers Association  
North Carolina Bankers Association  
Ohio Bankers League  
Ohio Financial Services Association  
Oklahoma Bankers Association  
Pennsylvania Bankers Association  
PSCU Financial Services  
Puerto Rico Bankers Association  
South Dakota Bankers Association  
Tennessee Bankers Association  
Texas Bankers Association  
USAA Federal Savings  
U.S. Bank  
Vermont Bankers Association  
Visa Inc.  
Washington Bankers Association  
Washington Mutual  
Wells Fargo  
West Virginia Bankers Association  
Wisconsin Bankers Association