



THE FINANCIAL SERVICES ROUNDTABLE



July 15, 2008

Members of the Committee
on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Representative:

As financial services associations representing community banks, credit unions and financial institutions of all size throughout the country, we urge you to oppose H.R. 5546, *the Credit Card Fair Fee Act*. We urge you not to be misled by the rhetoric of those looking to shift their costs of doing business onto consumers.

This legislation would set interchange fees at below market rates by granting merchants an unprecedented anti-trust exemption allowing them to negotiate as a buy-side monopoly. If merchants found the anti-trust exemption inadequate, a government created price-setting panel could step in to determine rates. Merchants would benefit; financial institutions and consumers would be harmed.

This legislation would harm the competitive balance in the financial services industry, as artificially low interchange fees will have a disproportionate effect on smaller financial institutions –those that receive the interchange revenue. These institutions depend on interchange revenue to be able to provide a unique and localized brand of customer or member service.

American consumers would ultimately feel the most pain from price control legislation. As the market would likely shrink to a handful of larger institutions that could continue to offer card products in a price-controlled environment, consumers will have fewer payment options and reduced access to affordable debit and credit cards.

The electronics 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 buy more than \$2.4 trillion in goods and services annually at well over 7 million U.S. locations. Globally, there are 16,600 banks and credit unions issuing cards to consumers who use them in more than 26 million card acceptance locations in 150 countries. Despite its vastness, the system successfully processes more than 10,000 transactions per second.

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