

May 13, 2008

To: Members of the House of Representatives

Re: Opposition to H.R. 5546, the Credit Card Fair Fee Act

The undersigned associations, representing a united lending industry, are writing in strong opposition to H.R. 5546, the Credit Card Fair Fee Act. This legislation, if enacted, would increase the cost of credit to all Americans and would significantly harm community banks throughout the country.

H.R. 5546 authorizes a government bureaucracy – a panel of three government-appointed lawyers – to arbitrarily decide rates and terms for interchange fees and the electronic payments system. Put more directly, the legislation represents an effort by the merchant community to have government step in to reduce the merchants' cost of doing business, while increasing the costs and reducing the benefits of everyday consumers. The bill would impose price controls on a smoothly functioning payment system that works to the benefit of consumers, merchants, community banks, and the local economy.

Price controls on electronic payments systems will harm community banks in your state and will ultimately harm the consumers they serve. Interchange fees cover the significant risks and costs associated with providing electronic payments, including payment risk, fraud risk, and the operational costs of providing the extremely efficient and seamless payment system we have today. They also provide small community banks with an important revenue stream that enables them to offer payment cards to their customers, allowing them to compete on a level playing field with the world's largest banks.

There is significant customer demand for community banks to offer card products to complement their traditional bank offerings. Limiting the electronic payments system with government price controls would shrink the market to a much smaller number of large card issuers and would reduce choices for consumers.

Merchants receive significant, undeniable benefits from accepting electronic payments, foremost the ability to maximize consumer satisfaction and company sales. These guaranteed, immediate payments help merchants avoid bad check losses, employee theft, check float loss, costs associated with billing and collections, and managing and depositing cash. When merchants *choose to accept* payment cards, they pay a penny or two on each dollar for the ability to accept electronic payments. This is a very small price to pay for all of these benefits.

Merchants, banks, and card networks have worked together for more than 50 years to build an efficient and accessible electronic payment system that is convenient, secure, reliable, and global. H.R. 5546, if enacted, would disrupt the balance established in a properly functioning and remarkably successful marketplace in which merchants, customers, financial institutions, and networks have benefited.

The undersigned organizations, representing 55 state bankers associations, along with the American Bankers Association, strongly oppose this legislation and urge you not to

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cosponsor H.R. 5546 or to support it should the bill come up for consideration in committee or on the House floor.

Sincerely,

American Bankers Association  
Alabama Bankers Association  
Alaska Bankers Association  
Arizona Bankers Association  
Arkansas Bankers Association  
California Bankers Association  
Colorado Bankers Association  
Connecticut Bankers Association  
Delaware Bankers Association  
Florida Bankers Association  
Georgia Bankers Association  
Hawaii Bankers Association  
Idaho Bankers Association  
Illinois Bankers Association  
Illinois League of Financial Institutions  
Indiana Bankers Association  
Iowa Bankers Association  
Kansas Bankers Association  
Kentucky Bankers Association  
Louisiana Bankers Association  
Maine Association of Community Banks  
Maine Bankers Association  
Maryland Bankers Association  
Massachusetts Bankers Association  
Michigan Bankers Association  
Minnesota Bankers Association  
Mississippi Bankers Association  
Missouri Bankers Association

Montana Bankers Association  
Nebraska Bankers Association  
Nevada Bankers Association  
New Hampshire Bankers Association  
New Jersey Bankers Association  
New Jersey League of Community Bankers  
New Mexico Bankers Association  
New York Bankers Association  
North Carolina Bankers Association  
North Dakota Bankers Association  
Ohio Bankers League  
Oklahoma Bankers Association  
Oregon Bankers Association  
Pennsylvania Bankers Association  
Puerto Rico Bankers Association  
Rhode Island Bankers Association  
South Carolina Bankers Association  
South Dakota Bankers Association  
Tennessee Bankers Association  
Texas Bankers Association  
Utah Bankers Association  
Vermont Bankers Association  
Virginia Bankers Association  
Washington Bankers Association  
Washington Financial League  
West Virginia Bankers Association  
Wisconsin Bankers Association  
Wyoming Bankers Association