

INTERCHANGE = ACCESS TO CREDIT

Regulations on interchange, like credit card routing mandates, would result in less access to credit for low-income households and small businesses

Quite simply, credit cards make life work. Consumers and small businesses, across all socioeconomic backgrounds, have come to rely on their credit card of choice to pay for gas, groceries, and unexpected emergencies. This is especially true as consumers leverage their credit card rewards to deal with rising costs.

The Credit Card Ecosystem Doesn't Work Without Interchange

While the U.S. credit card system may seem like magic, it is powered by interchange. The interchange fee is the portion of the merchant discount fee (MDF) that a retailer's financial institution pays to the cardholder's credit union or bank for the service of utilizing the card system. This system allows everyone to win:

Consumers Benefit → A convenient and safe way to purchase goods and services

Retailers Benefit → Higher sales, a larger customer base, reduced risk associated with handling cash, reduced bounced checks, and guaranteed payment

Credit unions and community banks bear the cost of fraud to ensure that consumers can be confident using credit cards. Financial institutions spend billions of dollars each year to bolster cybersecurity, leading to technological advancements like tap-to-pay and contactless payments.

Interchange Revenue is Reinvested in Communities, Providing Greater Access to Credit

Credit unions and community banks don't just sit on interchange revenue. They reinvest interchange revenue back into their communities to offer essential banking services and credit access to individuals and small businesses that might normally be looked over by other financial institutions.

Interchange Regulations Steal from Low-Income Earners and Give to Mega-Retailers

Proposed credit card routing regulations, like the so-called "Credit Card Competition Act" would disproportionately hurt smaller credit unions and community banks by reducing interchange revenue for these financial institutions. We know this is true because it happened when debit card routing mandates included in the Durbin Amendment were enacted in 2010. While supposedly "exempt" from the Durbin Amendment, credit unions and community banks still suffered a 30% decrease in their interchange revenue. This resulted in a decrease in free checking accounts and low-cost banking services for consumers. [A GAO report](#) determined that interchange regulations helped contribute to America's underbanked population growing by one million people.

Bottom Line

Interchange is what allows many credit unions and community banks to provide access to credit, especially in underserved, rural, and low-income communities. Without interchange, many institutions would be forced to stop issuing credit cards altogether or eliminate low-cost banking services. People with less-than-perfect credit or no credit have greater access to secure financial services thanks, in large part, to the funding provided by the current interchange system. Credit card routing mandates would gut them - all to save mega-retailers like Walmart and Target a few bucks.