

A Guide to Meeting with the National Federation of Independent Business



This week, as you meet with lobbyists for the National Federation of Independent Business (NFIB), they will likely bring up the Durbin-Marshall credit card mandates and interchange. Here is a helpful guide to interpreting their talking points.

✗ NFIB lobbyists will try to tell you the recent \$30 billion agreement between U.S. merchants, Visa, and Mastercard is not enough to help businesses, and only the Durbin-Marshall Credit Card Bill will work for them.

✓ This landmark agreement resolves a legal dispute with millions of merchants and eliminates the need for legislative action on credit interchange. In contrast to the new Durbin-Marshall mandates, the agreement provides multi-year benefits to small businesses and consumers, while creating a strong framework for the payments system moving forward.

DURBIN-MARSHALL	MERCHANT AGREEMENT
✗ Provides a sweetheart deal to the largest, most sophisticated corporate mega-stores with more than \$500 million in annual revenue.	✓ Delivers meaningful results for all small businesses that accept Visa and Mastercard payments.
✗ Jeopardizes security and increases fraud risk.	✓ Avoids security and fraud vulnerabilities that would otherwise exist if hundreds of millions of cards were reissued or customers were forced to rely on alternative, untested networks.
✗ Declimates credit card rewards for consumers and small businesses – just like debit interchange mandates did in 2011.	✓ Preserves credit card rewards programs for consumers and small businesses, such as cash back programs that can be reinvested in their business, by ensuring consumers can use the network they trust.
✗ Picks winners and losers by exempting some payment networks.	✓ Fosters a competitive payments landscape by allowing the free market to function without government interference.

✗ NFIB lobbyists will also lead you to believe interchange is one of their highest expenses.

✓ The average small business pays ~2% to accept credit cards. For interchange to be among their highest expenses, that would mean wages, inventory, rent, taxes and utilities are less than 2% of their overall revenue.

Additionally, the average credit card interchange rate (~1.8%) has remained virtually flat for 8 years and merchants recently reached an agreement with Visa and Mastercard to lower and lock-in those rates for years!



Depending on the business, **Other Costs** also include: Utilities, Franchise Fees, Setup Fees, Costs of Handling Cash Systems, Hardware, Software, Theft/Shrink, Scholarships/Employee Training, Equipment Rentals, and more. Source: Oxford Economics



NFIB lobbyists will say the Durbin-Marshall credit card mandates will help small businesses and consumers.



Study after study has reported consumers and small businesses would not benefit, but the largest corporate mega-stores stand to pocket billions in savings.



Not Consumers



Not Small Businesses



Just Corporate Mega-Stores

University of Miami Study: Imposing Alternative Payment Networks on Credit Cards Will Likely Hurt Low Income Households & Small Merchants

The benefit to the top 5 largest retailers will be approximately \$1.2 billion.

Almost all of those savings will accrue to retailers with \$500 million or more in annual sales, with little going to small businesses.

The typical [small business] would receive little savings from the legislation. The benefits accruing to the larger merchants would distort the competitive landscape and disadvantage [mom-and-pop businesses].



NFIB lobbyists will claim a lack of competition for card processing and the costs for accepting credit or debit cards is too high.



NFIB, however, has outlined all the ways accepting credit cards helps small businesses and highlighted the top benefits, noting "credit card processing is competitive" and "the increase in sales" will "typically more than make up" for the cost of card processing.



Top 10 Benefits of Accepting Credit Cards

Date: September 25, 2017

9. A merchant account is relatively inexpensive, considering what it delivers.

Credit card processing is a competitive industry, so even the smallest mom-and-pop outfit can find the right deal for accepting credit cards. The increase in sales that a business realizes when they start accepting credit cards will typically more than make up for their processing fees, so they come out ahead.



NFIB lobbyists will even tell you the alternative networks Durbin-Marshall will force tens of millions of credit cards to run on are just as safe as the current networks.



Credit cards have never run on an alternative network. The Durbin-Marshall Credit Card Bill is a giant, untested gamble with our nation's secure, hassle-free credit card payment systems. The bill makes no mention of consumer protections or standards for data security.