

All You Need to Know about the Durbin-Marshall Mandates

Megaretailers like Walmart, Target, and Home Depot are working to convince their allies in Congress to pass corporate welfare legislation paid for by American consumers. These Main Street job killing corporations want to impose new government mandates on how retailers process credit cards. It means the data and fraud protection you expect; rewards you use to pay for everyday items like gas and groceries; and convenience you have come to expect when using a credit card would all go away. **This is exactly why the Durbin-Marshall mandates are strongly opposed by a diverse and wide-ranging set of organizations and industries, including labor unions, small business owners, financial institutions including credit unions and community banks, policy institutes, trade associations, think tanks, and airlines.**

Here are the facts...

FACT #1:

INTERCHANGE HAS NOT INCREASED

The interchange rate has remained virtually flat as merchant sales have grown substantially. The only reason a merchant would pay more for interchange is because their sales went up proportionately.

Retailers Have Made More in Sales Than They Have Paid in Interchange Fees



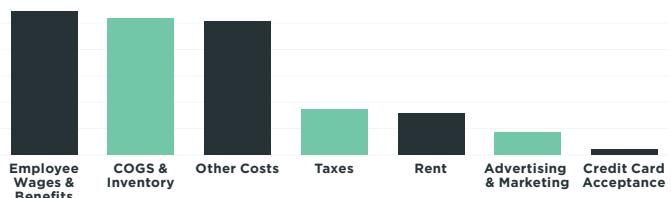
FACT #2:

INTERCHANGE IS NOT THE SECOND LARGEST EXPENSE FOR MOST BUSINESSES

Data shows that credit card interchange is NOT among small businesses' top expenses.

The average small business pays for rent, wages and benefits, taxes, advertising, inventory, utilities, insurance and cost of managing cash – dwarfing the cost of credit card acceptance.

Small Business Expenses Percentage of Total Expenses



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.

FACT #3:

CONSUMERS WILL NOT SEE ANY SAVINGS FROM ROUTING MANDATES

Credit card routing mandates would not lower the cost of goods for consumers, and in some cases, may raise costs for consumers.

Proponents of the 2010 Durbin Amendment, which regulated debit routing and capped debit interchange, argued that merchants would pass along the savings but the Federal Reserve of Richmond found 98% of merchants either increased prices or kept them the same.

There is no evidence to suggest a credit-routing regulation would be any different.

FACT #4:

THE SO-CALLED SMALL BANK EXEMPTION IS MEANINGLESS

Community banks and credit unions would be hurt by proposed credit routing mandates – just as they were by the debit routing mandates they were allegedly “exempt” from.

Data from the Federal Reserve shows that community banks and credit unions have seen debit interchange losses between 10%-30% from 2011 to 2019.

That is why every single credit union and community bank across the United States strongly opposes Durbin 2.0.

FACT #5:

LOCAL ECONOMIES WILL SUFFER IF THE DURBIN-MARSHALL MANDATES PASS

A recent Airlines For America study found that cobranded airline cards, which are held by approximately 30 million Americans, generate \$23.8 billion in domestic economic activity due to the 15 million trips Americans make using loyalty points.

If passed, according to Oxford Economics, the economy would lose nearly \$250 billion and 160,000 jobs over the next four years.



FACT #7:

CONSUMERS WILL LOSE DATA SECURITY & FOREIGN NETWORKS COULD ROUTE YOUR FINANCIAL TRANSACTIONS

Financial services companies spend billions of dollars each year to bolster cybersecurity, leading to technological advancements like tap-to-pay and contactless payments. But under Durbin-Marshall mandates, providers wouldn't have the interchange revenue to reinvest in consumer protections and innovation.

PPI also recently reported "Due to the heightened risk, banks and financial firms have invested considerable sums in data security. However, under the 2010 Durbin Amendment, routing decisions are shifted from banks and consumers to merchants, leaving the level of network security variable among any number of merchants. Unfortunately, many merchants have not adequately invested in data security resulting a number of serious data breaches," including Target, Home Depot and Wawa.

Supporters of the Durbin-Marshall mandates claim there are protections for routing your data through networks posing a national security risk, like China UnionPay. The provision in question is not an explicit ban and tasks the Federal Reserve - an agency charged with overseeing monetary policy, not national security - with the authority to identify networks that pose a security risk. China UnionPay, however, is already operating in the U.S. today.

FACT #6:

CREDIT CARD REWARDS WILL DISAPPEAR FOR CONSUMERS & SMALL BUSINESS OWNERS

Not only would the Durbin-Marshall mandates rob consumers of their network choice, but it would eliminate funding for credit card rewards programs and cashback options that American families rely on. In 2022, U.S. card rewards programs returned roughly \$68 billion to consumers of all income levels, helping working class families pay for groceries and back to school shopping. Credit card routing mandates would effectively eliminate credit card rewards as we know it.

A recent PPI study found "low-income individuals use rewards credit cards at a rate similar to high-income individuals" and "there is substantial evidence that caps placed on credit card transactions reduces rewards offered to consumers while increasing the cost of holding a card, ensuring consumers across income levels are left worse off."

FACT #8:

THE PAYMENTS MARKET IS HIGHLY COMPETITIVE

There is robust competition in the payment space with more than 5,000 issuers of unsecured credit in the United States. Additionally, consumers have payment options ranging from cash, debit and check to peer-to-peer platforms, fintechs and crypto. Consumers and small businesses overwhelmingly choose card payment methods because of the built-in safety, reliability and efficiency.

The fact is, however, consumers actively choose credit cards as a payment option because of the convenience, security and benefits offered. The National Federation of Independent Business even said "credit card processing is a competitive industry" and that mom-and-pop businesses "come out ahead" when they accept credit cards.



Top 10 Benefits of Accepting Credit Cards

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.



Electronic Payments Coalition