

## **CREDIT & DEBIT CARD INTERCHANGE**

- Hidden credit card interchange fees are rising at an alarming rate. Since 2001 interchange costs to merchants and their customers have been growing at a compounded annual rate of 17 percent per year.
- In the mid 1990's interchange fees totaled a few billion dollars. Last year, Visa and MasterCard interchange fees exceeded \$40 billion - that's more than all credit card annual fees, over-limit fees and late fees combined. NRF estimates that in 2008 interchange fees will reach \$48 billion – the equivalent of a \$427 annual fee for every household in America.
- Credit card company processes and rules effectively prevent merchants from breaking these fees out. The annual cost to consumers of buried interchange fees is close to a month's worth of food.
- Currently, there is no free market or meaningful competition. Visa and MasterCard have over 83 percent of the market. The credit card companies and their thousands of banks set card acceptance terms in secret, and flatly refuse to negotiate with merchants.
- H.R. 5546 and S. 3086, the Credit Card Fair Fee Act of 2008, would introduce transparency and negotiation into the credit card market.
- The Credit Card Fair Fee Act would create transparency by finally requiring companies to put terms and conditions on the table. It would provide an antitrust exemption so that groups of merchants and card companies could directly negotiate. In the Senate version (S.3086) if either party refused to negotiate in good faith, an expert panel, appointed by the Federal Trade Commission and the Department of Justice, after reviewing the evidence, would select whichever of the parties' final two offers best reflected a free market. Under this "baseball" arbitration, the panel would not be allowed to choose a package of terms and conditions other than those proposed by the parties themselves. In the version adopted by the House Judiciary Committee, the Department of Justice would oversee negotiations.
- H.R. 5546 and S 3086 are bi-partisan bills aimed at bringing competition to a hidden credit card fee that the American Banker estimates will cost retailers and consumers nearly \$60 billion a year by 2010.