

UNFAIR CREDIT CARD FEES.com

WHAT ARE INTERCHANGE FEES AND WHY ARE THEY A PROBLEM?

An average interchange fee of roughly 2% is collected by card companies and their banks on every credit card transaction. Retailers have no control over these fees which can be raised at any time by the credit card companies. They have risen at a rate faster than health care or energy costs and have tripled since 2001. In most instances they represent one of the highest expenses a business faces – second only to labor and rent. And yet, interchange fees are the only cost of doing business retailers cannot negotiate. The supermarket industry operates on a profit margin of just over 1% and general retail at just over 2% so these constantly rising fees often exceed their profit margin and are extremely harmful to retailers who sell necessities, and in turn, their customers. Visa and MasterCard control an overwhelming percentage of the payments card market and abuse that market power by refusing to negotiate the rates and rules surrounding these interchange fees with retailers. The Visa and MasterCard card issuing banks all charge the same schedule of fees so there is no ability to go to a lower fee competitor – they don't compete on this fee.

HOW CAN WE SOLVE THIS PROBLEM LEGISLATIVELY?

Several pieces of legislation were introduced in the 110th Congress, each of which has been re-introduced in the 111th Congress. One of the bills passed in a bi-partisan fashion out of the House Judiciary Committee last year. Below is a brief description of the current bills. We would urge you to consider cosponsoring them.

H.R. 2695 – THE CREDIT CARD FAIR FEE ACT OF 2009

H.R. 2695 would allow retailers of all sizes to band together to negotiate with Visa and MasterCard. The Attorney General would have oversight of the negotiations to ensure both parties act in good faith. Judiciary Committee Chairman John Conyers (D-MI) and Representative Bill Shuster (R-PA) are the prime sponsors of the House legislation to curtail Visa and MasterCard's anticompetitive interchange fee setting practices, and to help level the playing field for retailers of all sizes with the credit card companies.

An almost identical bill, the Credit Card Fair Fee Act of 2008, H.R. 5546, was favorably reported out of the Judiciary Committee on July 16, 2008 with a strong bipartisan vote. A majority of both Democrats and Republicans on the Committee joined Chairman Conyers in the vote. That bill had 45 cosponsors in the 110th Congress.

S. 1212 - THE CREDIT CARD FAIR FEE ACT OF 2009

Senate Majority Whip Dick Durbin (D-IL) has introduced a Senate companion to the Credit Card Fair Fee Act. The prime variation from the House bill is that, under the Senate bill, if negotiations are not successful, each side would submit its best offer to judges appointed by federal antitrust enforcers at the Federal Trade Commission and the Department of Justice. Based

upon evidence and witnesses presented by both sides, the three-judge panel would choose the set of rates and terms offered by one of the two sides that the panel determines best approximates the rates and terms that would prevail in a functioning, competitive market.

H.R. 2382 -- THE CREDIT CARD INTERCHANGE FEES ACT OF 2009

Representatives Peter Welch (D-VT) and Bill Shuster (R-PA) recently introduced the Credit Card Interchange Fees Act of 2009. The legislation would:

- Eliminate higher interchange fees collected on rewards cards;
- Allow merchants the option to discount for cash purchases without fear of credit card company penalties;
- Prohibit the Honor-All-Cards rule;
- Allow merchants to encourage customers to pay with alternate forms of payment;
- Allow merchants to accept cards for portions of their business (i.e. online purchases) without forcing them to accept cards at all other retail locations;
- Prohibit banks from refusing to give merchants the money on a transaction simply because the sale exceeded an arbitrary limit (i.e. Reason Code 96 chargebacks);
- Allow merchants to set minimum or maximum transaction amounts for card purchases;
- Prevent card companies from requiring merchants to conduct any minimum number of transactions in any given time period for access to a network;
- Require full disclosure of rates and terms to the FTC, Federal Reserve, and consumers.

WHICH NATIONAL RETAIL GROUPS AGREE THAT INTERCHANGE FEE SETTING IS AN ANTICOMPETITIVE PRACTICE?

Food Marketing Institute
National Association of Convenience Stores
National Grocers Association
National Retail Federation
National Association of Chain Drug Stores
Retail Industry Leaders Association
National Restaurant Association
Petroleum Marketers Association of America
National Council of Chain Restaurants
National Association of College Stores
National Association of Truck Stop Operators
International Franchise Association

International Association of Airport Duty Free Stores
National Association of Theatre Owners
American Beverage Licensees
Bowling Proprietors Association of America
National Association of Shell Marketers
Interactive Travel Services Association
Society of American Florists
Society of Independent Gasoline Marketers of America
National Franchise Association
Coalition of Franchisee Associations
National Small Business Association
Digital Media Association

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