



INTERCHANGE – CREDIT CARD COMPETITION ACT

NAFCU strongly opposes S. 4674, the Credit Card Competition Act of 2022 (CCCA), legislation introduced by Senators Dick Durbin (D-IL) and Roger Marshall (R-KS). This bill would extend the Durbin Amendment's debit interchange network routing requirements to also cover credit cards. While the legislation was referred to the Senate Banking Committee, it could emerge at any time as an amendment on the Senate floor. A House version of the legislation has not yet been introduced, but retailers have been seeking the introduction of a House companion.

A few facts you should know about the Credit Card Competition Act:

Big Business Benefits the Most. This bill is essentially a “big box bailout” that will provide the greatest benefit to large retailers and corporations. While lobbying for the original Durbin Amendment, retailer groups frequently claimed those restrictions would lead to cost savings for consumers and small businesses and greater choice and reliability in payment networks. Research from the Federal Reserve Bank of Richmond found that rather than cut prices in response to lower debit interchange costs, merchants had “asymmetric reactions” as 98.8 percent did not decrease prices and 21.6 percent even implemented price increases.¹ Among businesses, big box retailers clearly saw greater benefits from the Durbin Amendment's price caps than small businesses, many of which were harmed by government distortion of the market price for interchange fees.²

Its Exemption Won't Work. Experience with the original Durbin Amendment has shown that even a high asset threshold “exemption” as proposed in this bill (for institutions under \$100 billion in assets) offers no protection to smaller financial institutions like credit unions. A similar exemption in the original “Durbin” Amendment has failed community financial institutions which have been impacted from declines in debit interchange.

Consumers Will Lose. Consumers have already directly felt negative impacts from the original Durbin Amendment. First, the Durbin Amendment led to a significant reduction in the number of debit card rewards programs, with 30 percent of cardholders losing debit rewards two years after enactment.³ Second, the availability of free checking accounts suffered a major decline as an immediate result of the implementation of the Durbin Amendment. The CCCA doubles down on this consumer harm and tops it off with the likely end of many consumer credit card rewards programs.

Data Privacy and Security Will Suffer. The incidence of fraudulent debit transactions has more than doubled since the Durbin Amendment was enacted and allowed retailers to process transactions over less secure networks.⁴ Consumers who had chosen a debit card based on the network's reputation for payment security had their choice invalidated, and the cost of remediating consumers in response to the increasing volume of fraudulent transactions continues to fall on financial institutions. Extending similar requirements to credit cards would also allow retailers to choose alternative payment networks that do not provide consumers with the security and rewards they expect based on *their* choice of credit card.

¹ Wang, Zhu, Scarlett Schwartz, and Neil Mitchell. “The Impact of the Durbin Amendment on Merchants: A Survey Study” (2014). *Economic Quarterly*, Issue 3Q, pp. 183-208. <https://ssrn.com/abstract=2655978>.

² Zywicki, Todd J., Geoffery A. Manne, and Julian Morris. “Unreasonable and Disproportionate: How the Durbin Amendment Harms Poorer Americans and Small Businesses” (April 25, 2017). International Center for Law and Economics. http://laweconcenter.org/images/articles/icle-durbin_update_2017_final.pdf.

³ Electronic Payments Coalition. “Out of Balance: How the Durbin Amendment has Failed to Meet Its Promise” (May 2022). <https://2oynji41vtot1y4f8s1gnb8a-wpengine.netdna-ssl.com/wp-content/uploads/2022/05/EPC.DurbinStudiesPaper.pdf>.

⁴ Federal Reserve. “2019 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions” (May 2021). https://www.federalreserve.gov/paymentsystems/files/debitfees_costs_2019.pdf.