

July 29, 2010

Dear Senate Appropriations Committee Member:

The Consumer Bankers Association (CBA) urges you to support the Collin's amendment to strike the Durbin interchange language from the Fiscal Year 2011 Financial Services and General Government Appropriations bill.

CBA opposes the interchange provisions in the Fiscal Year 2011 Financial Services and General Government Appropriations bill, sponsored by U.S. Senator Richard Durbin (D-IL) and we urge you to support an amendment to be offered by Senator Susan Collins (R-ME) to strike the Durbin language and replace it with a provision requiring a study of the issue.

Senator Durbin's interchange language would artificially limit the rate the federal government pays to accept credit cards without regard to the value the government receives from accepting electronic payments and without any consideration of the cost of competing payment methods. The Durbin language specifically seeks to set the federal government's credit card interchange rate at the lowest rate available in the marketplace.

According to a 2007 study conducted by the U.S. Government Accountability Office (GAO), the federal government as a whole already pays one of the lowest interchange rates available. The Financial Management Service (FMS), a bureau of the U.S. Department of the Treasury which oversees card acceptance and cash management for the government, already works with (and requires) acquiring banks to identify any transactions that have higher interchange requirements.

Additionally, the same study found the U.S. government receives significant cost savings, rebates, and increased revenues from accepting and using cards. The increased ease of processing, reduction of labor/administrative costs and online sales are significant benefits to many federal agencies.

In the wake of the Dodd-Frank financial reform bill, credit card issuers will already be forced to artificially adjust interchange rates for debit card transactions. Further attempts to set interchange fees, may force banks to pull back services and limit the availability of credit to consumers. Furthermore, Senator Durbin's interchange provision in the appropriations bill attempts to address an issue that has yet to receive any consideration in the committee of jurisdiction, the Senate Banking Committee, or any other committee.

CBA urges you to support the Collin's amendment to the Fiscal Year 2011 Financial Services and General Government Appropriations bill.

Sincerely,

Richard Hunt
President