

The Honorable Dick Durbin
The Honorable Roger Marshall
The Honorable J.D. Vance
The Honorable Peter Welch
U.S. Senate, Washington, DC

The Honorable Lance Gooden
The Honorable Zoe Lofgren
The Honorable Tom Tiffany
The Honorable Jeff Van Drew
U.S. House of Representatives, Washington, DC

September 14, 2023

RE: Endorsement of Credit Card Competition Act of 2023

Dear Senators Durbin, Marshall, Vance, and Welch; and Representatives Gooden, Lofgren, Tiffany and Van Drew:

We write to formally endorse the bipartisan, bicameral Credit Card Competition Act and urge its swift passage. It builds on the original 2010 Durbin amendment's reforms to the debit card market recently updated by the Federal Reserve's new debit card routing rules.

The Credit Card Competition Act addresses a market failure in the credit card payment network, which has long been dominated by the Visa-Mastercard duopoly. Today, because of this duopoly, American consumers pay the highest credit card swipe fees in the industrialized world. Due to their unchecked market power in the U.S., Visa and Mastercard charge ten times the swipe fees they charge in Europe.

The current credit card interchange system is uncompetitive, non-transparent, and harmful to consumers. All consumers pay more at stores and at the pump due to the anticompetitive practices of Visa and Mastercard, which set both the rules and prices for merchants to accept electronic payments. Merchants are forced to pass along the high credit card transaction costs to consumers by baking them into the prices all customers pay.

These fees impose the greatest hardship on the most vulnerable consumers—the millions without credit cards or banking relationships. These consumers predominantly use cash and subsidize others' card usage by paying inflated prices for their groceries, gas, and other goods and services.

It is estimated that the cap on debit card interchange fees imposed by the 2010 Durbin amendment saved consumers and merchants an estimated \$8.5 billion in 2012, and \$5.87 billion of those savings were passed along to consumers in the form of lower prices.¹

Credit card swipe fees on cards branded with Visa and Mastercard have more than tripled since 2010. In 2022, Visa and Mastercard charged merchants a staggering \$93.2 billion in credit card fees. Interchange fees far exceed the actual cost of handling these transactions. While Visa and Mastercard keep the actual costs of handling credit cards hidden, we have reliable numbers for debit cards which are instructive.

In 2011, according to the Federal Reserve, the cost of processing a signature debit card transaction was \$0.055 and even lower for a transaction that required a pin number. Yet, before the rules from the 2010 Durbin amendment went into effect, the interchange fees for signature debit transactions averaged \$0.57, or 10.4 times the processing costs. The 2019 Federal Reserve report showed the costs of processing debit transactions had fallen to \$0.039. While credit transactions likely saw similar efficiencies, credit card interchange fees keep rising – including an increase of more than 20% last year alone.

The Credit Card Competition Act addresses the root cause of this issue, breaking Visa and Mastercard's control over credit card payment networks by directing the Federal Reserve to require the largest credit card-issuing banks to finally offer merchants a choice of other card networks on which to process credit transactions. To ensure competition, at least one of the offered networks must be an alternative to the two largest networks – currently Visa and Mastercard.

As a result, the Credit Card Competition Act will introduce much-needed competition to a captured market, opening the door for other payment networks to compete on price and other features, leading to a decrease in swipe fees and improving security and efficiency. While Visa and Mastercard claim these high fees enable lavish credit card rewards programs, most individuals pay more in swipe fees than they recoup in rewards. Furthermore, the existence of credit card rewards programs in Europe, where fees are much lower, demonstrates the baselessness of such claims.

Ultimately, the bill will benefit consumers—especially consumers who are already financially strained—and small businesses, ranging from grocery stores, gas stations, restaurants, and convenience stores, saving them billions. For these reasons, we strongly urge the swift passage of this legislation.

Signed,

Accountable.US
American Economic Liberties Project
Americans for Financial Reform

¹ See Robert J. Shapiro, "[The Costs and Benefits of Half a Loaf: The Economic Effects of Recent Regulation of Debit Card Interchange Fees](#)," Oct. 1, 2013, pg. 3

Center for Responsible Lending
Consumer Action
Demand Progress
Future of Music Coalition
Institute for Local Self-Reliance
Main Street Alliance
National Association of Consumer Advocates
National Independent Venue Association
Open Markets Institute
Public Citizen
Tzedek DC
U.S. PIRG

cc Senator Sherrod Brown
Senator Tim Scott
Representative Patrick McHenry
Representative Maxine Waters