March 24, 2025

Dear Member of Congress:

The American Bankers Association, America's Credit Unions, Association of Military Banks of America, Bank Policy Institute, Consumer Bankers Association, Defense Credit Union Council, Independent Community Bankers of America, Electronic Payments Coalition, Mid-Size Bank Coalition of America, and National Bankers Association are writing to reiterate our strong opposition to the so-called *Credit Card Competition Act* (Durbin-Marshall bill) or any other expansion of the Durbin amendment.[1] Any legislative initiatives to expand the power of the federal government to intervene in the U.S. credit card market would harm consumers, small businesses and financial institutions alike by reducing choice, increasing costs and fraud risks, and creating economic challenges for smaller financial institutions.

Small Businesses Benefit Both from Card Acceptance and as Card Users

Government intervention in the credit card market would disadvantage small businesses. A recent paper by a University of Miami finance professor found that small businesses would be put "at a further competitive disadvantage" to large corporate megastores if the Durbin-Marshall bill were to become law, estimating that almost all of those savings will accrue to retailers with $500 million or more in annual sales, with little going to small businesses.[2] Additionally, according to the paper, if the Durbin-Marshall bill were to be enacted it could cost small businesses up to $1 billion in rewards, since small businesses are large users of payment cards to make purchases, and could lead to reduced access to $700 billion in revolving lines of credit.[3]

The Durbin-Marshall bill is a solution in search of a problem. According to the National Federation of Independent Business's own "small business problems and priorities" survey from 2024, credit card processing costs failed to rank among their top 20 list of concerns.[4] The Durbin-Marshall bill will do nothing to help small businesses – it will only entrench corporate megastores that already have a stranglehold on the retail market.[5] Congress should not mandate

[1] The Durbin amendment was enacted as part of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203).
[2] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4714752.
[3] *Id*.
[4] 2024 Small Business Problems & Priorities.
[5] https://smallbusinesspaymentsalliance.com/national-small-business-week-2024-electronic-payments-survey/.

the reengineering of the entire credit card payments system just to benefit a small group of the largest merchants while causing small businesses to suffer.

Small Community Based Financial Institutions Would Suffer

Small community banks and credit unions themselves are small businesses. But they also play a vital role in our communities. These community-based financial institutions understand the needs of their communities and directly support small businesses and consumers, providing billions of dollars of loans and assistance to those that need it most.

As we saw with the Durbin amendment, interchange price controls increase profits of corporate megastores while impairing small financial institutions' ability to provide competitive products and services to consumers and small businesses by decreasing revenue used for lending and data security while increasing operational costs. Federal Reserve data shows that the Durbin amendment harmed "exempted" community-based financial institutions.[6] In short, small community banks and credit unions' work is far too essential in supporting small businesses to jeopardize by substituting government price-setting in place of dynamic market competition. Enacting the Durbin-Marshall bill would set backdoor price controls on credit card routing, which would ultimately harm small financial institutions' ability to continue to offer affordable financing to American families and small businesses.

Consumers would Lose Access, Choice, Security, and Rewards

Interchange fees help make affordable, unsecured short-term credit available to more consumers, improving financial security and helping working Americans avoid predatory lenders. Recent studies by the Federal Reserve show that short-term, unsecured loans can play a significant role in enhancing financial security for those that need access to credit.[7] However, reducing interchange fees through government-mandated routing would diminish or eliminate access to credit cards for low-income consumers or those with damaged credit, putting more Americans at financial risk.

Americans similarly oppose the federal government reaching into their wallets.[8] According to an October 2024 survey conducted by Morning Consult:

- 95% percent of consumers said that they value the convenience of using their credit cards.
- 79% of consumers have at least one credit card that offers rewards.
- 88% of consumers said they value the rewards programs on their credit cards.
- By a 3-to-1 margin, consumers say they would be disappointed to lose the rewards program on their credit cards due to government regulatory changes.

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[6] https://electronicpaymentscoalition.org/resources/what-exemption-community-banks-credit-unions-lose-under-the-durbin-amendment/.
[7] https://www.federalreserve.gov/econres/notes/feds-notes/small-dollar-loans-in-the-us-evidence-from-credit-bureau-data-20240719.html.
[8] https://www.aba.com/about-us/press-room/press-releases/national-survey-on-major-bank-policy-issues.

- 76% of consumers believe merchants and retailers get significant benefit from being able to accept credit cards for payment.[9]

To say that consumers will benefit from the Durbin-Marshall bill is inaccurate. A reduction in rewards and cash back opportunities would significantly harm minority and lower-income consumers.[10] The International Center for Law and Economics found that "77% of cardholders with a household income of less than $50,000" have an active rewards card.[11] The Durbin-Marshall bill would take away rewards options from lower-income Americans who value those rewards benefits, not just wealthy individuals. Additionally, the Congressional Research Service released a report stating, "it is not clear whether retailers would pass interchange savings on to consumers" and "might face higher incidences of fraud."[12] In fact, the Federal Reserve Bank of Richmond has already observed that 98% of merchants raised prices or kept them the same after the implementation of the Durbin amendment.[13]

Merchants and Consumers Alike Choose Cards Based on the Value Proposition

The U.S. payments ecosystem is rife with competition.[14] Credit cards, debit cards, buy-now-pay-later, checks, cash, ACH transactions, wire transfers, and real time payment rails provide businesses and individuals with a multitude of payment options. There is also no evidence of significant concentration in the credit card market.[15] In fact, the market for consumer cards concentration is far below the DOJ threshold and is far less concentrated than other industries.[16]

Another paper from the same finance professor at the University of Miami shows that the credit card market is so competitive that profit margins on transactions have been negative for years.[17] The paper finds that in recent years, the net profit per dollar for credit cards is "-0.5 cents per dollar."[18] Rewards programs, which are an expense for banks and credit unions, have been larger than the "profitability of processing transactions since 2016."[19] The differential shows that the credit card market is "extremely competitive and provides consumers with the convenience of conducting transactions at millions of stores."[20] In the last two years, "profitability net of

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[9] https://www.linkedin.com/posts/thomas-rosenkoetter_in-a-new-american-bankers-association-survey-activity-7258179554731593729-2JSI/?utm_source=share&utm_medium=member_desktop.
[10] https://mshale.com/2023/04/19/interchange-fee-regulation-step-financial-inclusion-black-community/.
[11] https://laweconcenter.org/wp-content/uploads/2021/11/Reverse-Robin-Hood-1.pdf.
[12] https://crsreports.congress.gov/product/pdf/IF/IF12548.
[13] https://www.richmondfed.org/-/media/richmondfedorg/publications/research/economic_quarterly/2014/q3/pdf/wang.pdf.
[14] The list of market participants is extensive: Visa, MasterCard, American Express, Discover, PayPal, Venmo, Zelle, Square, Apple Pay, Amazon Pay, Samsung Pay, Kroger Pay, Walmart Pay, Target RedCard, Affirm, Klarna, AfterPay, Google Pay as well as bank and credit union led person-to-person payment capabilities; additionally, European account to account (a2A) payments firms are in the process of entering the U.S. market.
[15] https://bpi.com/the-credit-card-market-is-not-even-close-to-being-overly-concentrated/.
[16] *Id*.
[17] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4912154.
[18] *Id*.
[19] *Id*.
[20] *Id*.

rewards has been between -0.2% and -0.3%."[21] The fact that financial institutions are losing money on transactions is evidence that competition already exists in the payment market.[22]

Conclusion

The payment card system is convenient, secure, and hassle-free. It protects consumers against fraud, guarantees businesses receive timely payments, funds reward programs like cash back, and powers the American economy, from brick-and-mortar establishments to innovative e-commerce platforms 24 hours a day, seven days a week, 365 days a year. The so-called *Credit Card Competition Act*, and any other legislation that intervenes in the credit card market, puts all that in jeopardy.

Sincerely,

American Bankers Association
America's Credit Unions
Association of Military Banks of America
Bank Policy Institute
Consumer Bankers Association
Defense Credit Union Council
Independent Community Bankers of America
Electronic Payments Coalition
Mid-Size Bank Coalition of America
National Bankers Association

cc:

Members of the United States Senate
Members of the United States House of Representatives

[21] *Id*.
[22] *Id*.