



Consumer Federation of America

March 15, 2011

Dear Representative:

As Congress assesses the impact on consumers of debit interchange legislation it enacted last year, the Consumer Federation of America would like to share with you the conclusions we have reached:

- **The current interchange system is uncompetitive, non-transparent and harmful to consumers.** It is simply unjust to require less affluent Americans who do not participate in or benefit from the payment card or banking system to pay for excessive debit interchange fees that are passed through to the costs of goods and services. As a result, **CFA does not support delaying implementation of the new law.**
- **The Federal Reserve should ensure that financial institutions are reimbursed for legitimate, incremental debit card costs** as it finalizes rules implementing new interchange requirements. If such compensation does not occur, these institutions could increase debit card and other related banking charges on their least desirable and most financially vulnerable consumers: low- to moderate-income account holders.
- Once the law is implemented, **the Federal Reserve should also pay close attention to how it affects the financial viability of small depository institutions**, especially credit unions, which often provide safe, lower-cost financial products to millions of Americans.

Although CFA did not take a position on the interchange provisions of the Dodd-Frank Act, we have carefully examined the law and filed comments with the Federal Reserve on how to implement it fairly and effectively [read comments [here](#)]. For example, we urged the Federal Reserve to consider increasing its proposed interchange pricing standards as allowed under the law to include several specific, debit-related expenses incurred by financial institutions. CFA also recommended that the Federal Reserve launch a broad, balanced study upon implementation of the effects of the rule on consumers.

From a consumer point of view, the current interchange system is not defensible. Feeble competition in the payment card marketplace has led to unjustifiably high debit interchange fees that the poorest Americans are required to subsidize. The new law gives the Federal Reserve authority it can use without delay to make sure that the debit interchange reimbursement financial institutions receive covers their legitimate, incremental costs for providing debit card services.

Sincerely,

Travis Plunkett
Legislative Director