



March 23, 2022

Dear Chairman Brown, Ranking Member Toomey, Chairwoman Waters, and Ranking Member McHenry:



The undersigned organizations **write in opposition to any legislation that would expand or mimic the provisions of the Durbin amendment as enacted in the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203)**. Expanding the Durbin amendment's interchange fee cap and routing restrictions to credit cards would fail to lower retail prices for consumers; reduce revenue for community banks and credit unions; and significantly harm low-income Americans by eliminating credit card rewards and raising the overall cost of credit.



Application of the Durbin amendment to credit cards will eliminate rewards programs, worth \$50 billion annually to U.S. consumers. Rewards points are a valuable tool for all Americans, but especially low-income households, and even small businesses with credit cards. According to data cited by the [International Center for Law and Economics](#) (ICLE), "86% of credit cardholders have active rewards cards, including 77% of cardholders with a household income of less than \$50,000." **Additionally, 82% of [households](#) earning less than \$20,000 own a rewards card.** There is evidence that clearly shows that the Durbin amendment's application to debit cards reduced the availability of rewards programs. The Federal Reserve cited a study that found that 50% "of regulated debit card issuers with a reward program ended their programs in 2011." If the Durbin amendment is applied to credit cards, consumers will see a drastic decline in the availability of rewards cards.



The loss of rewards cards would also significantly harm retailers. In fact, rewards programs incentivize consumers to spend more. The increased benefits of more expenditures at retail shops [exceeds](#) the cost of card acceptance.



Under the Durbin amendment, consumers have also witnessed free checking accounts disappear. In a [study](#) from 2014, the Federal Reserve discovered the implementation of the Durbin amendment forced banks to increase "deposit fees 3 to 5 percent." ICLE also [reported](#) that low-income consumers are harmed the most by the increase in fees. In a [study](#) from 2017, the Federal Reserve found that banks were 35% less likely to offer a free checking account because of the Durbin amendment. A Government Accountability Office [report](#) also stated "that if the regulation had not been implemented, 65 percent of noninterest checking accounts offered by covered banks would have been free."





At the same time, retailers have increased prices on consumers instead of lowering them since the implementation of the Durbin amendment. Approximately 22% of [retailers](#) have raised prices on consumers while only 1% actually lowered prices. The putative benefits of the Durbin amendment for consumers failed to come to fruition. Prices could be raised again if the Durbin amendment is applied to credit cards. **The last thing lawmakers should pursue is legislation that would increase prices on consumers.**

Consumers lose under the Durbin amendment. According to a [study](#) conducted by the University of Chicago, consumers lost between \$22 and \$25 billion “as a result of the implementation of the Durbin Amendment.”

Additional federal government intervention in the credit card market is unnecessary because **market forces are already ensuring that fees remain at steady levels.** In August 2021, the Federal Reserve released a [report](#) that shows that interchange fees charged on \$40 credit card transactions have remained constant at gas stations, small retailers, and e-commerce.

Government regulation would only interfere with a market that is already functioning well.

Because of the Durbin amendment, community banks and credit unions have lost billions of dollars of revenue that could have been used to provide credit to small businesses and individuals in rural and lower-income communities around the country. According to the [Credit Union National Association](#), rural credit unions “serve 9.7 million members – over one-fifth of the nation’s rural population.” [Community banks](#) provide about “60% of all small business loans” and make “more than 80% of agricultural loans.” Many individuals and small businesses rely on smaller depository institutions to finance their operations. The lost revenue from interchange fees limits the amount of capital community banks and credit unions can allocate to the areas of the United States that have been hit hardest by the pandemic and the record levels of inflation.

There has never been more competition in the payment processing market than today. There is a plethora of payment processing network [options](#). Financial technology companies, buy now pay later products, and “peer-to-peer payments through digital wallets, including stablecoins and cryptocurrencies” offer other options for businesses and individuals. **To say that the market is controlled by a never changing “duopoly” does not take into consideration the current day shifts in market power, and completely ignores American Express and Discover.**

Lawmakers should oppose and vote against any legislative effort that would apply any provisions of the Durbin amendment to credit cards. An expansion of the Durbin amendment would pad the pockets of multibillion



dollar retailers at the expense of consumers, community banks, credit unions, and many small businesses.

Sincerely,



Grover Norquist
President
Americans for Tax Reform

Seton Motley
President
Less Government



Jeffrey Mazzella
President
Center for Individual Freedom

Tom Schatz
President
Council for Citizens Against Government Waste



Andrew F. Quinlan
President
Center for Freedom and Prosperity



Brent Wm. Gardner
Chief Government Affairs Officer
Americans for Prosperity

Katie McAuliffe
Executive Director
Digital Liberty



Steve Pociask
President / CEO
American Consumer Institute

Tom Hebert
Executive Director
Open Competition Center

Bryan Bashur
Executive Director
Shareholder Advocacy Forum

Ryan Ellis
President
Center for a Free Economy

Phil Kerpen
President
American Commitment

Brandon Arnold
Executive Vice President
National Taxpayers Union

Heather Higgins
CEO
Independent Women's Voice

Karen Kerrigan
President & CEO
Small Business & Entrepreneurship Council

David Williams
President
Taxpayers Protection Alliance

John Berlau
Director of Finance Policy
Competitive Enterprise Institute

Gerard Scimeca
Chairman
Consumer Action for a Strong Economy

Jerry Theodorou
Director
R Street Institute
Finance, Insurance & Trade Program