



Legislative Action Alert on Interchange Fees:

We are activating this immediate grassroots Action Alert. Please distribute this urgent Action Alert message to your credit union staff, volunteers and members. This alert targets our congressional representatives in the House and Senate.

Issue:

We have noticed in our recent Hike the Hill visits that the merchant group has met with nearly ever Member of Congress. It is critical that they hear from credit unions at this time and we need credit union members to help us set the record straight.

Background:

Interchange is very important to the credit unions in our two states. When a consumer uses a debit card or a credit card with a merchant, interchange flows from the merchant to the consumer's card issuer, the credit union. Interchange does not go to the credit card companies. Interchange helps credit unions with the expenses of administering vital debit card programs and credit card programs. Of the 90 million credit union members (consumers) nationwide, 97% belong to a credit union issuing debit cards and 83% belong to a credit union issuing credit cards. Merchants are asking senators to offer amendments that would reduce the interchange credit unions receive and interfere with the payment processing system.

These possible amendments could affect interchange by either giving merchants an anti-trust exemption to use against credit unions in negotiations or to allow merchants to enjoy the benefits of the payment processing system without paying their fair share of the expenses.

Call to Action: This is a volume alert, meaning the more people we get to contact our representatives the better. To take immediate action please follow the attached link and use the CUNA Grassroots Action center (CapWiz) site at www.capwiz.com/cuna/home. This site is extremely user friendly and it allows us to track the number of contacts we make. For those of you who are not comfortable using the Grass Roots Action Center site we have attached a sample letter that you can fax or mail to our Congressional representatives.

U.S. Senators and Representatives - ND

U.S. Senator Byron L. Dorgan
(senator@dorgan.senate.gov)
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322 Hart Senate Office Building
Washington, DC 20510
Phone: 202.224.2551
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U.S. Senator Kent Conrad
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U.S. Representative Earl Pomeroy
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Washington, DC, Office
1501 Longworth House Office Building
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U.S. Senators and Representatives - SD

U.S. Senator Tim Johnson

[*\(tim@johnson.senate.gov\)*](mailto:tim@johnson.senate.gov)

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U.S. Senator John Thune

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493 Russell Senate Office Building

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U.S. Representative Stephanie Harpeth–Sandlin

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Postcard Campaign - Next week will e distributing postcards our most active credit unions. These postcards will target the Senate ONLY. These postcards should be distributed at teller windows. We will also supply you with an electronic copy of a flyer/poster explaining the need for member to sign a card. The postcards should be collected at the end of each week and sent together to each Senator. We will distribute the cards to credit unions the week of Oct. 12.

Statement Stuffer/ Member Action Alert . Also next week we will also be sending you an electronic copy of a statement stuffer to use to help in our grass roots efforts to our members. This statement stuffer will contain information on how interchange affects credit union members and it will provide a link to our Grassroots Action Center (CapWiz) where members can send letters to their legislators.

• OCTOBER 1, 2009

Don't Let 7-Eleven Give Card Holders a "Big Gulp" of Big Government

Price controls on interchange fees will cost consumers.

By [JOHN BERLAU](#)

From the Competitive Enterprise Institute

7-Eleven and other retailers, who rightly complain about costly government mandates in health care and other areas, are hitting Capitol Hill to offer Congress members and their staffs a supersize serving of hypocrisy.

7-Eleven is trying to force a "big gulp" of big government down the throats of American consumers. If Congress acts on 7-Eleven's misleading petition to put price controls on interchange fees, consumers will pay the price through the reduction of credit card reward programs such as frequent flier miles, and the possible return of annual fees. Credit unions and community banks will pay the price too, in higher costs that will make it more difficult to offer cards at all. This could force their customers to abandon their local lending institutions if they want the convenience of credit and debit cards.

Contrary to the spin of the 7-Eleven and other big retailers, interchange fees, also called "swipe fees," are only levied on merchants, and none of the major legislation currently before Congress would require retailers to pass on one penny of their resulting savings to consumers. Australia's recent experience with interchange price controls, for example, resulted in no tangible benefits ó but plenty of added costs ó for consumers down under.

John Simon, a top regulator at the Reserve Bank of Australia, recently told a conference of the Federal Reserve Bank of Chicago that there was no evidence of retailer savings being passed on to Australian consumers, according to the Credit Union Times. Yet the Australian credit card holders faced plenty of costs to "make up for" the retailer costs in terms of higher fees and fewer rewards such as frequent flier miles, according to a study by the U.S. Government Accountability Office.

Community banks and credit unions, which have lower profit margins on their credit and debit card offerings, would also lose out. In Australia, the Credit Union Times reports, "a cap on card interchange similar to one promoted by some U.S. retailers has turned Australian Credit Union card programs from being contributors to their bottom lines to net money losers." Similarly, Mike Clayton, head of Champion Credit Union in the small town of Canton, North Carolina, says price controls on interchange fees could "put us into a deficit on that card program."

There are a variety of options for retailers in credit card payment services, such as new online methods of payment, to ensure competitive pricing. The Competitive Enterprise Institute also supports expanding the ability of retailers to form their own affiliated banks, or industrial lending companies to do their own card processing if they so choose.

But lawmakers should also realize that credit and debit card processing is not free, and retailers would not be accepting cards if they did not lead to more purchases in stores and reduce the costs of alternatives such as carrying cash. Before credit cards were so prevalent, expensive armored cars hauling cash from retail stores were a common fixture.

In short, there is no such thing as a free lunch, and lawmakers should not enable 7-Eleven and other retailers to soak consumers with more fees.

Mr. Berlau is the director of the Competitive Enterprise Institute's Center for Investors and Entrepreneurs.

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