



6 June 2011

**Re: Opposition to Tester, S. 575, To Delay Swipe Fee Reform**

Dear Senator,

We, the undersigned consumer groups, write to reinforce our continued support for the Durbin amendment to reform debit card swipe fees that passed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Federal Reserve Board of Governors has conducted enough research and has adequate authority to issue a fair final rule in this matter without the delays that would be imposed by Senator Tester's proposal, S. 575, no matter how it might be modified for the floor.

All consumers, whether they pay with cash or plastic, pay more at the store and more at the pump due to the current non-transparent interchange fee system, which is tantamount to a wealth transfer from the poor to the rich. Recent Federal Reserve research has shown that lower-income cash consumers subsidize the rewards cards of more affluent customers. Yet, retail is a highly-competitive industry where cost savings are routinely passed along to consumers. There is no reason to expect that retailers, in a marketplace where numerous sellers routinely compare and change their prices on a daily basis, would fail to pass along the savings from the unfair anticompetitive interchange system. Yet, as the non-profit and non-partisan American Antitrust Institute said in a recent letter to Congress:

[The Durbin amendment] limits the amount of fees that can be charged through a price-fixing network regime and allows banks to charge unregulated fees if they simply compete on their prices rather than set them centrally. If the limits set by the Fed are low, that aids competition by giving a large incentive for banks to actually compete by lowering their fees. Banks with less than \$10 billion in assets would not have to compete, however, because they are exempt. Certainly, banks with more than \$10 billion in assets can compete in the free markets by setting their own prices rather than hiding behind the cartel process overseen by Visa or MasterCard. What the Fed is doing is to substitute competition for administered prices. (March 14, 2011)

As Senator Tester's legislation to delay implementation of the Durbin amendment and the final Federal Reserve regulations comes up for a vote on the Senate floor, we urge your opposition to it or other efforts to weaken or delay the Durbin amendment through Congressional action. Thank you for your consideration of our views. If you or any of your staff have any questions, please contact Ed Mierzwinski at U.S. PIRG (202-461-3821 or [edm@pirg.org](mailto:edm@pirg.org)).

Sincerely,

Public Citizen

U.S. PIRG