



Heartland
Credit Union Association



**KANSAS BANKERS
ASSOCIATION**

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Financial services groups concerned with consumer impact of Marshall-Durbin credit routing bill

August 26, 2022 (Topeka, KS) The Heartland Credit Union Association of Kansas and Kansas Bankers Association oppose the Credit Card Competition Act (S. 4674) co-sponsored by U.S. Senators Roger Marshall (R-Kansas) and Dick Durbin (D-Illinois). This bill targets credit card interchange and limits the ability of credit unions and community banks to offer diverse options of low and no-annual cost payment cards. This will hurt consumers and small businesses.

The current system of card routing works – not only for financial institutions, but for consumers and retailers. As it stands now, consumers choose the best card to fulfill their needs, retailers offer convenient payment options and receive their funds instantly, and financial institutions use interchange funds to benefit consumers – including fraud detection, credit monitoring, and fraudulent purchase protection.

This bill would not only make consumer information less secure – it would drive up costs and decrease access to safe and affordable credit. Consumers will have fewer choices of card networks, as retailers can override their decisions. Unlike financial institutions that operate under Gramm-Leach-Bliley, retailers have no responsibility to protect consumers' data under law. As a result, they can choose their card routing service based on the cheapest cost without any consideration for security, giving bigger windfalls to big box retailers.

While this legislation has a carve out for financial institutions under \$100 billion in assets – the last Durbin amendment on debit cards was also supposed to exempt credit unions and community banks. Instead, there was a 30% drop in interchange revenue. The Federal Reserve Bank of Richmond found that after the first Durbin amendment was implemented, 98.8% of merchants failed to pass-through savings to consumers, and more than 20% increased prices. This resulted in more costs and less money available for services that consumers want from their community financial institutions – including needed loans for small businesses. There is no reason to not expect an even tighter squeeze on resources if this bill becomes law, when card issuers withdraw their products and billions in credit is no longer available.

The fact is, there is a cost to using plastic financial transactions, a cost to maintaining the systems and protecting consumers' data, and a cost to providing programs that benefit consumers. But big merchants continue to lobby for reduced interchange requirements, while staunchly opposing any standard requiring them to securely handle this sensitive card data.

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Re: Marshall-Durbin credit routing bill

Our organizations want to work with Congress on real solutions to help small businesses, our communities, and the working families throughout our state. And to ensure consumers' data is both protected AND their secure access to needed financial services is maintained. This bill does not achieve that goal.

"The financial services leaders of Kansas have witnessed how interchange regulations have made it harder for community financial institutions to provide critical services and small business development loans for hardworking Kansans. This bill would make it even worse," says Doug Wareham, President/CEO of the Kansas Bankers Association.

"This bill would not benefit consumers in terms of cost or enhanced security and would create a reduction in options, all without legally requiring merchants to protect consumer data. In a state like ours, where nearly [one in four](#) households are unbanked or underbanked, we can't afford to make it any harder for working families to access basic financial services," says Lisa Althoff-Simmons, interim president/CEO of Heartland Credit Union Association.

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For more information about the Heartland Credit Union Association, visit: www.heartlandcua.org

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