



April 28, 2022

Senator Mark Warner
United States Senate
Washington, DC

Dear Senator Warner,

On behalf of Virginia's credit unions, I am writing regarding the Senate Judiciary Hearing, "Excessive Swipe Fees and Barriers to Competition in the Credit and Debit Card Systems." The Virginia Credit Union League represents the 109 member-owned not-for-profit credit unions across the Commonwealth and their more than 15 million members.

Consumers across the United States rely on credit cards to make life happen, from paying for groceries and school supplies to covering emergency car repairs or medical expenses. Accepted nearly everywhere, credit cards offer robust security, fraud protection, and access to credit that may not otherwise be available for many people. Interchange fees, which are only a fraction of a cent per dollar transacted, make this possible.

The fees accrued through interchange help to cover the costs of fraud detection, credit monitoring, and fraudulent purchase protection that make consumers and merchants whole when bad actors attack. These robust security features which make credit cards so appealing to consumers come at a cost. Interchange fees cover a portion of these costs, but steadily increasing fraud and the possibility of reduced interchange fees pose a real threat to Americans' data security.

The rate—and cost—of criminal activity is on the rise, and when a merchant's systems are breached or a card is otherwise compromised, financial institutions are required to absorb a significant portion of the costs.

- \$1,600/card—The average fraud payout in 2020
- \$6.50—Average cost to replace contactless cards
- 36%—Number of credit unions reporting greater fraud losses, from 2019-2020

It is imperative to recognize the fundamental difference of credit cards as opposed to debit cards. Credit cards represent an extension of unsecured credit to a consumer, meaning that financial institutions make a loan to a consumer every time a credit card is used to purchase goods or services from a retailer or merchant. Consumers have come to rely on credit cards provided by their community financial institutions to build credit and gain access to funds that otherwise may not be available to them. Any expansion of the Durbin Amendment to the credit market will cause the cost of these low-cost loans to increase, leading to less spending power for consumers and possibly the reduction in important credit building and educational programs offered by financial institutions. Credit unions remain hyper focused on providing the best and lowest cost financial services to all Americans, especially those who need it most. However, we fear the continued government forced reduction in revenue and increased compliance costs will further lead to the reduction of locally operated financial institutions by making the delivery of financial services more difficult.

The nation's largest retailers are asking you, once again, to expand interchange regulations to limit their costs and add to the growth they have achieved amidst the pandemic while so many small businesses were forced to close. Restrictions on credit interchange would take critical resources away from small local financial institutions that work extremely hard every day to best serve their communities. Additional restrictions will also force them to choose between funding vital programs that benefit their members and communities or continuing to operate card programs that provide affordable lines of credit to members who may not be able to obtain them otherwise.

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On behalf of Virginia's credit unions and their millions of members, we ask you to continue to allow credit unions to provide low-cost loans through credit cards to their members and support their ability to continue serving their communities. Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink that reads "Carrie R. Hunt". The signature is written in a cursive, flowing style.

Carrie R. Hunt
President/CEO
Virginia Credit Union League