



May 12, 2010

Members of the United States Senate
Washington, DC 20510

Re: **Credit union and community bank opposition to Durbin Amendment #3932**

Dear Senator:

On behalf of credit unions and community banks across the country, we write to express our strong opposition to Durbin Amendment #3932, which would significantly harm thousands of community banks and credit unions that offer debit and credit cards to their customers and members. Let's be clear: interchange is not a "big bank" issue. The fact is, interchange revenue – and the network rules supporting the electronic payments system – is vastly more important to small issuers, which rely on this income and structure to meet their customers' and members' needs and product expectations.

This amendment, which combines two previously filed amendments, finally paints a clear picture of the ultimate prize sought by the large retail chains driving this effort: Have the government regulate interchange rates so big-box merchants can increase their profits by getting all of the benefits of debit acceptance for next to nothing, while simultaneously eroding the rules that force merchants to be fair to consumers.

Also, contrary to some assertions, **nothing in this amendment protects community bank customers or credit union members**. What has been labeled a "carve out" is, in fact, a double-edged sword: by directing the Federal Reserve to regulate only the debit interchange of big banks, the amendment makes our institutions' debit cards the most expensive for a merchant to accept – something the market will not tolerate for long. To make matters worse, nothing would stop Visa and MasterCard from simply applying the artificially lowered interchange rates across the board to *all* issuers, regardless of size, forcing many credit unions and community banks to reevaluate their ability to offer debit cards. It's a lose-lose proposition for Main Street financial institutions and consumers.

Other provisions of the amendment that weaken network rules will only serve to drive credit and debit market share to the big bank issuers and encourage big retailers to enter into sweetheart card acceptance deals that discriminate against community bank and credit union cardholders. For example, there is no safeguard to prevent a large retailer from offering no minimum dollar amounts for purchases with a preferred card, but requiring a prohibitively high minimum purchase for use of all other cards. While not the sponsor's intent, in the end, this amendment invites discriminatory and anti-consumer behavior.

Again, on behalf of credit unions and community banks across the country, we urge the Senate to continue to advance meaningful financial reform legislation and to defeat this amendment which will do nothing but increase costs and reduce choice for Main Street consumers and their local financial institutions.

Sincerely,

Dan Mica
President and CEO
Credit Union National Association

Camden R. Fine
President and CEO
Independent Community Bankers of America