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Wall Street Reform that Works for Consumers and Small Businesses

A gallon of milk and a loaf of bread. A full tank of gas and a pack of gum. A movie ticket to a Sunday matinee, along with popcorn and a drink. At the checkout counter at the grocery store, gas station, or movie theatre, you have what seems like a straightforward choice: cash or check, credit or debit. It's the same choice you have when making a charitable contribution or paying a utility bill.

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But you may not realize that giant credit card companies are charging steep fees to retailers each time you use a credit card – and these fees are often passed along to consumers in the form of higher prices.

Interchange fees, or "swipe fees," are charged by credit and debit card issuers, like Visa and MasterCard, to small businesses and customers. These fees are designed to cover the cost of processing a debit transaction. Visa and MasterCard currently charge debit swipe fees from approximately one to two percent for each transaction.

In 2008, American businesses, charities, and any organization that accepts payments by debit card paid more than \$42 billion to Visa, MasterCard, and their banks in debit swipe fees.

But these fees are far higher than the actual cost of processing debit transactions – which means small businesses always get shortchanged when they accept a debit card for a sale. It also means consumers pay more at the store and more at the pump, whether they pay with cash or with plastic – without even being aware that their method of payment determines fee rates.

High swipe fees cut into the already tight profits for small businesses across Ohio, and the cost is passed along to you. Ohio's merchants and small businesses – from grocery stores, to mom and pop corner stores, to convenience stores – undermine their ability to pay higher wages or benefits to their employees.

And because Visa and MasterCard control 80 percent of the debit market, they have near monopoly power to set the interchange fee rate that applies to all banks in their network. By not allowing banks to negotiate with merchants over their swipe fees, Visa and MasterCard can impose high, non-negotiable swipe fees for accepting debit card payments.

At the same time most of the swipe fees go to the largest banks in America, small businesses and merchants are stuck with terms of their contract and cannot offer discounts to consumers for using other forms of payment.

As it stands, there is no check against Visa or MasterCard's ability to fix these rates at unreasonable levels. In fact, just last month Visa lowered many European debit rates by 60

percent while it increased many U.S. debit rates by 30 percent.

That's one of the big reasons why the Wall Street reform bill just passed by the Senate is so important. When it is clear major credit companies are engaged in price-fixing, we must step in and make sure our small businesses and consumers are protected. I joined on an amendment to the bill that would help rein in excessive and abusive credit card company practices. This amendment, which passed, will direct the Federal Reserve to ensure debit swipe fees are reasonable and proportional to the processing costs incurred. It would also give merchants more flexibility against unfair bank and card network practices – resulting in more payment choices for consumers and lower merchant costs.

This is the right choice for small businesses and consumers alike.

Sincerely,



Sherrod Brown



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