

# UNFAIR CREDIT CARD FEES.COM

## THE FACT IS OTHERS ARE TALKING ABOUT INTERCHANGE AND UNFAIR CREDIT CARD FEES

### Academics

"The profitability of credit card operations is astonishing. One of America's largest credit card lenders, Citigroup, gives us an apples-to-apples comparison. For 2006, the company reported after-tax profits on their combined real estate mortgages, student loans, and car loans of 0.79%. The after-tax profits on their credit card operations—net of advertising, bad loans, and every other expense—was 6.17%. In other words, dollar-for-dollar, Citi earned nearly eight dollars on its credit card operations for every dollar it earned in other lending. The other operations were profitable enough for Citi to stay in business, but the credit card profits outshine every other part of their consumer operations.

Be clear: I picked Citi because the company is well known and they have large lending operations of different kinds, providing an apples-to-apples comparison on profits. But the company is neither the most profitable credit card operation nor are they the most aggressive lender. Many other lenders have tapped into the extraordinary profits of the credit card sweet spot."

*Elizabeth Warren, Leo Gotlieb Professor of Law, Harvard Law School*

### Government Officials

"Another major issue is interchange fees, hidden charges that nobody has focused on yet, but I hope we will get some testimony at this and subsequent hearings,"

*- Rep. Melvin Watt (D-NC)*

"Interchange fees can significantly impact the prices charged by merchants and retailers..."

*-Sen. Norm Coleman (R-MN)*

### Consumers

A Harris Interactive poll commissioned by MPC in February of 2007 found the following:

- 94 percent of American adults said credit card companies should be required to disclose to consumers the amount of interchange fees they charge.
- 93 percent said credit card companies should be required to inform consumers how interchange fees are set.
- 91 percent said Congress should require credit card companies to be more open about their policies and practices regarding interchange fees.
- 91 percent disagreed that credit card companies should be allowed to set interchange fees without notification to consumers.
- 83 percent disagreed that credit card companies should be allowed to continue to charge interchange without change to their current policy.



**MERCHANTS PAYMENTS COALITION, INC. | [www.UnfairCreditCardFees.com](http://www.UnfairCreditCardFees.com)**

325 7<sup>th</sup> Street NW, Suite 1100, Washington, DC 20004 | 202-955-1400 | [info@unfaircreditcardfees.com](mailto:info@unfaircreditcardfees.com)

**And around the world...**

Commerce Commission commenced legal proceedings against Visa and MasterCard and 11 banks for price fixing in relation to interchange fees.

*New Zealand Commerce Commission, November 2006*

Interchange declared to be “unlawful”.

*Office of Competition and Consumer Protection, Poland, January 2007*

European Commission rejected the view that interchange fees are necessary. Serious concern was expressed in three key areas: the way interchange fees are set, that interchange fees bear no resemblance to costs, and that there is a need for better access and fewer barriers to entry.

*European Commission Report January 2007*

Competition Commission found the setting of interchange fees by Visa and MasterCard amounted to price fixing and interchange fees should be cost based.

*Switzerland Competition Commission, December 2005*