

UNFAIR CREDIT CARD FEES.com

For Immediate Release

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Hidden Credit Card Fees Costing Jobs ***Interchange “Swipe” Fee Means Less Money for Hiring***

Washington, DC – As prominent members of the business community discussed job creation at the White House job summit last week, small business owners and retailers urged Congress and the credit card giants to reform interchange fees in order to enhance merchants’ ability to hire new employees.

Based on the national average salary for cashiers, if average interchange rates were reduced by 1% it would allow businesses to hire 1.3 million people, and if interchange fees were restricted in a way that brought the rate down to Australia’s level of 0.5%, that could create over 1.9 million jobs.^[1]

Hidden “swipe” fees cost American consumers and businesses \$48 billion annually—an amount that goes straight to big credit card companies and banks, and not to salaries for new employees.

“When the country is in a recessionary time there are a lot of expenses that curtail profits,” said Monte Peterson, owner of Peterson’s Market in Riverton, Utah. “In my opinion, one of those expenses is exorbitant credit card swipe fees. They’re driving small companies out of business. If we could curtail the expense of credit card swipe fees, it would allow more companies to stay in business, and allow marginal businesses to hire more employees and provide better services.”

As the nation’s economy has hit its recent rough patch, interchange fees have reached an all-time high. The fees have tripled since 2001, and the average American store owner now pays twice as much in swipe fees as they earn in profits.

“With the unemployment rate at 10 percent, we need to do everything in our power to create new jobs,” said Howard Tuthill, owner of Columbine Market in Gypsum, Colorado. “Reforming interchange means that I have to pay less to the credit card companies and can start hiring again. Small businesses and our customers are going to turn this economy around, but we can’t do it if the credit card companies keep pocketing all of our profits.”

For many businesses, the cost of swipe fees is the largest non-labor cost they face, and are rising faster than any other costs – including health care costs.

“Consumers and merchants are paying two dollars in interchange fees for every \$100 of merchandise that is paid for with plastic,” said Jennifer Hatcher, Group Vice President of Government Relations at the Food Marketing Institute and member of the Merchants Payments Coalition. “You take a year of those two dollar payments, and those are peoples’ salaries that are going straight to the credit card companies.”

Interchange reform, as proposed in pending legislation, would allow merchants and other business owners to negotiate as a group with credit card companies and banks over swipe fee rates and increase transparency and disclosure

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The Merchants Payments Coalition is a group of retailers, supermarkets, drug stores, convenience stores, fuel stations, on-line merchants and other businesses who are fighting against unfair credit card fees and fighting for a more competitive and transparent card system that works better for consumers and merchants alike. The coalition’s member associations collectively represent about 2.7 million stores with approximately 50 million employees. For more information about credit card swipe fees, please visit <http://www.UnfairCreditCardFees.com>.

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¹ **Methodology:**

From the Bureau of Labor Statistics: <http://www.bls.gov/oes/current/oes412011.htm>

We looked at the average annual salary for cashiers since the industries with the highest level of employment are grocery stores, gas stations, general merchandise stores, department stores, and health and personal care stores (all merchants who would see savings if interchange fees were reduced).

The average national salary for cashiers is \$18,380, but it's definitely lower in more depressed parts of the country (i.e. West Virginia is at \$15,370).

We used previous estimates of an average U.S. interchange rate of 2% and average U.S. interchange fee revenues of \$48 billion in 2008.

Reducing interchange fees to roughly 1% would result in \$24 billion in interchange fee savings since the decrease would account for 1/2 of the total estimated interchange fee revenue in 2008.

$$\$24,000,000,000 / \$18,380 = 1,305,767.138 = 1.3 \text{ million}$$

Reducing interchange rates to the Australian level of 0.5% would result in savings equal to 3/4 of the total interchange fee revenue or \$36 billion.

$$\$36,000,000,000 / \$18,380 = 1,958,650.707 = 1.9 \text{ million}$$

*There are other costs that factor into job creation such as employee benefits and investment in capital, such as new checkout equipment, that we have not taken into account in these estimates.