



May 8, 2008

The Honorable Howard Berman
Committee on the Judiciary
U.S. House of Representatives
2221 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Berman:

I am writing on behalf of the National Retail Federation to express our strong support for H.R. 5546, the "Credit Card Fair Fee Act of 2008." This bipartisan piece of legislation, introduced by Judiciary Committee Chairman John Conyers (D-MI) and Representative Chris Cannon (R-UT), is a sensible, market-oriented solution to the escalating problem of credit card "Interchange" – a hidden fee that is assessed against a merchant every time a credit or debit card is used.

In a functional competitive market, one would expect that the cost of accepting credit and debit cards would decrease over time as transaction volume increases, fraud risks go down, and technology improves; yet interchange fees continue to skyrocket. On average, Interchange has reached close to 2 percent per transaction, or \$2 for every \$100 in sales. Alarming, for small businesses and online merchants fees can top 4 percent. Since the average after tax retail profit margin is only about 2 percent, much of these costs are passed back to consumers in the form of higher prices. In fact, these fees add up to more than \$350 per year per U.S. household.

While on the consumer side, the payments industry is very competitive, with banks vying for customers to carry their cards, that is absolutely not the case for American businesses, both large and small, who must accept plastic payments in order to remain viable. Since Visa and MasterCard control over 80 percent of the payments card market, retailers are forced to live by whatever rates and terms the credit card giants dictate. In fact, Interchange fees are one of the only business costs that retailers cannot negotiate. For many, it is also the highest overall cost to their business – eclipsing even employee payroll and health care benefits.

NRF believes that H.R. 5546, the Credit Card Fair Fee Act, is the best market-based solution to the current anticompetitive fixing of interchange fees by the credit card industry. We strongly encourage you to join the 29 bipartisan cosponsors of this important piece of legislation and support H.R. 5546.

Sincerely,

A handwritten signature in black ink that reads "Steve Pfister". The signature is written in a cursive, flowing style.

Steve Pfister
Senior Vice President
Government Relations