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**ICBA fighting Durbin amendment credit card expansion**

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The newly proposed Credit Card Competition Act could severely restrict community banks’ freedom regarding credit card payments, with cost hikes unfairly passed along to the consumer and the greater likelihood of security risks.

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By Aaron Stetter, ICBA

ICBA and its allies are pushing back against the Credit Card Competition Act of 2022 (S. 4674), also known as the Marshall-Durbin bill, warning Congress that the bill would undermine the safeguards that protect credit card payments—with consumers and community banks ultimately paying the price.

Led by big box retailers that would reap large profits, the Marshall-Durbin bill, introduced by Sens. Roger Marshall (R-Kan.) and Dick Durbin (D-Ill.), would overhaul credit card lending by creating new mandates forcing banks with over $100 billion in assets to enable their credit cards to be used on at least two unaffiliated networks—similar to what the original Durbin Amendment did for debit—and shifting the choice of which network to use from the credit card issuer and consumer to the merchant. Only one of the two networks could be owned by Visa or Mastercard.

While community banks would not fall directly under the mandate, the Marshall-Durbin bill would have a far-reaching impact on the entire financial services industry, including high implementation costs and security issues that will ultimately raise costs for consumers and limit credit options.

**An expensive idea.** Requiring a second network option would force a costly fundamental and ultimately, unnecessary, change to the system. Unlike debit card transactions, credit card transactions are run on “dual messaging” infrastructure—a message is sent to authorize a transaction and a second message is sent to post the transaction one or two days later. The infrastructure to support multiple dual-message credit networks does not exist today.

Card issuers, processors, acquirers and networks would have to make significant new infrastructure benefits. The mandates may also require the reissuance of hundreds of millions of credit cards and chip recertification—a significant cost. That’s if credit card issuers can even access enough chips to reissue cards due to supply chain challenges.

As participants in the payments ecosystem, community banks would be forced to subsidize the system-wide costs of complying with this mandate, making community bank card programs more costly.

These costs would further strain the viability of community banks, together with the cost of complying with numerous regulatory mandates that are just beginning to come online. A retreat from credit card lending would put community bank independence at risk and ultimately create a less competitive financial system for consumers and small businesses.

**Costs to consumers.** When the original Durbin amendment passed, big box retailers promised to pass the savings from lower interchange onto consumers. Instead, over 98.8% of merchants failed to pass these savings to consumers and the largest retail merchants, including Amazon and Walmart, pocketed over $106 billion in interchange fees since 2010. The same thing will happen if the Marshall-Durbin bill passes.

Not only will consumers not see any cost savings, but they’re likely to pay more for access to credit cards in the form of higher interest rates and a loss of popular benefits like rewards programs as the industry recoups the costs of the mandate. Some credit card issuers will leave the market altogether rather than bear the cost, leading to a contraction in credit card lending and fewer options for low- to moderate-income consumers.

**A security risk.** The goal of this legislation is to save merchants’ money by offering cheaper networks. When a network values low cost over data security, they are less likely to invest in newer, more secure technologies. This poses a huge data security issue. Since merchants don’t bear liability for stolen consumer data, their only incentive is the lowest interchange rate, regardless of consequences for the consumer. Weaker security controls can expose consumer data.

Card issuers will bear the cost of any increased fraud losses, having no choice but to pass this cost onto consumers.

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**ICBA’s opposition to S. 4674**

While community banks and the rest of the financial services industry are united in opposition to this measure, merchants will continue their push to reap further financial reward on the backs of consumers and the payments ecosystem designed to serve them. This misguided legislation solves no identifiable problem, accrues only to the benefit of merchants, and puts consumer credit and payments innovation at risk.

As the only national trade association exclusively representing community banks, ICBA is committed to opposing any legislation that could result in unintended consequences for the industry and the consumers it serves.

Community bankers can add their voices to the fight. Visit the ICBA Grassroots Action Center (<i>*icba.quorum.us*<i>*)* for ways to push back against this unreasonable government intrusion into a functioning, private marketplace.

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