

The Honorable Jeb Hensarling  
Chairman  
House Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Randy Neugebauer  
Chairman  
Subcommittee on Financial Institutions and Consumer Credit  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Hensarling and Subcommittee Chairman Neugebauer:

We write in strong support of H.R. 5465, a bill introduced by Rep. Randy Neugebauer (R-TX), to repeal interchange fee price controls mandated by the Durbin Amendment. We very much appreciate your leadership on highlighting this failed policy. We also support the inclusion of Durbin repeal in the Financial CHOICE Act.

The Durbin Amendment was included as a last-minute addition to the Dodd-Frank Wall Street Reform Act with the intent that retailers would pass along an estimated \$8 billion in savings per year to debit customers in the form of lower prices. Retailers promised they would pass any savings from the Durbin amendment on to their customers, but almost six years since the Amendment was passed, it is clear customers have seen no relief at the register. That means retailers have pocketed more than \$36 billion to date.

A recent study by the Federal Reserve Bank of Richmond surveyed a diverse set of merchants and found that more than three-fourths in the sample did not change their prices after the Durbin Amendment was implemented. And, surprisingly, the study also found that one in four merchants actually increased prices since the Durbin amendment took effect.

Other studies confirm customers are being short-changed at the register. The fourth annual survey of nearly 2,000 consumers by consumer research firm Phoenix Marketing International found the vast majority of shoppers have not experienced a price drop at the point of sale. In fact, in each of the 15 categories measured, at least 92 percent of shoppers reported that prices rose or stayed the same over the previous year.

A recent poll from Morning Consult reiterates these findings, noting 94 percent of consumers do not feel they've received a discount from retailers since the Durbin Amendment passed. The survey also found that a majority of customers support repealing this harmful provision after learning merchants are not passing along the promised savings to customers.

Another failure of this legislation is the increased cost to community banks and credit unions, who were intended to be exempt from this law. The Durbin Amendment intended to exclude small issuers from interchange fee-ceiling restrictions, but the law offers no such exemption from the costly and burdensome network routing and exclusivity provisions—a process that involves

substantial and recurring administrative costs on top of an already challenging cost environment. This is exacerbated further when avoidable data breaches in retail stores require new cards to be reissued at the expense of credit unions and banks.

It is now clear that the only way to reverse the damaging impact on financial institutions of all sizes and customers is to repeal the Durbin amendment in its entirety.

We support a well-regulated payment system based on laws that provide a frame-work for constant product improvement, but the Durbin Amendment did not serve any traditional regulatory purpose—it simply enshrined into law a “permanent” economic benefit for one well-heeled industry. The bottom line is this amendment introduced price-fixing to a formerly functional and competitive marketplace and failed to keep the dubious promises made to sell it—ultimately hurting customers.

This legislation will erase that mistake and allow our vibrant payment system to continue to serve consumers.

Thank you for your leadership on this important matter.

Sincerely,

American Bankers Association  
Consumer Bankers Association  
Credit Union National Association  
Financial Services Roundtable  
Independent Community Bankers of America  
National Association of Federal Credit Unions