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Opinion

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Unanswered questions on amendments could cause unintended consequences

By MIKE MERCER - Special to The Telegraph

A controversial amendment in the Senate Financial Reform Bill pending in Congress should be a big concern for consumers and needs to be taken out. It has to do with debit interchange fees, which are what merchants pay to financial institutions for processing customers' debit card transactions. These small fees help cover fraud, data security and operational costs of running the program.

At the 11th-hour, the Senate added an amendment to the bill that enables the government to set restrictions on interchange fees with no assurances that consumers would benefit. Georgia Credit Union Affiliates believes the Senate amendment should be separated from the Financial Reform Bill and debated on its own merits.

Why? There are simply too many unaddressed and unanswered questions in this hastily prepared add-on. Among the issues that need to be considered:

n As long as plastic cards have been utilized, interchange fees have been set by the networks, such as Visa, MasterCard, Discover, American Express and others. They have to balance the interests of both merchants and financial institutions: charge too much and stores will not accept the cards; charge too little and financial institutions will not offer cards to consumers. The amendment calls for the Federal Reserve Bank to set restrictions on interchange fees. What factors will the Fed use to set the interchange rate? Will it cover all operating costs such as fraud, card issuance and call center operations?

n Merchants receive tremendous benefits when they choose to accept debit and credit cards as a form of payment. They are paid immediately at the point of sale and do not have to handle cash, bounced checks or wait for a check to clear. Nothing in the legislation requires these retailers to pass their savings on to consumers. What safeguards exist to ensure that consumers will benefit?

n The interchange fee helps credit unions offset the operational expenses and risk of an electronic payment system that supports popular products consumers want, need and enjoy. As not-for-profits, credit unions generally offer lower-priced card services. The interchange amendment may destroy the ability of small issuers, such as credit unions, to provide debit card services to their members. How would passage of this amendment change consumer payment behavior? Would consumers be forced back into the time-consuming practice of writing more checks? Would shoppers be forced to carry more cash?

The very real possibility is that the amendment will actually increase payments costs and decrease convenience for consumers. There is still time for members of Congress to remove the Senate interchange amendment. We strongly urge our senators and representatives to support separating the interchange amendment from the Financial Reform legislation so that it can be discussed on its own merits to distinguish its real effects from its perceived benefits.

Georgia Credit Union Affiliates presents this letter on behalf of the five credit unions in the Macon area that provide debit cards to 181,365 members. We urge Georgians to find out more and voice their opinions by visiting www.georgiacreditunions.org.

Mike Mercer is the president and CEO of Georgia Credit Union Affiliates.

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