



strength in members.

September 9, 2022

The Honorable Chuck Schumer  
Senate Majority Leader  
322 Hart Senate Office Building  
Washington DC 20510

Dear Leader Schumer,

The New York Credit Union Association (NYCUA), the trade group for all New York credit unions, is writing to express its concerns regarding S.4674, the Credit Card Competition Act of 2022 which would impose price caps on the amount merchants can be charged when choosing to utilize credit card networks to build their businesses.

Every day, New Yorkers depend on safe, reliable credit transactions to empower their lives. As not-for-profit cooperatives with a statutory obligation to better our member's financial well-being, credit unions appreciate efforts to maximize affordability. However, previous interchange alterations hurt many vulnerable consumers. Additional changes to the card network system would introduce insecurity with no guarantee of consumer or small business benefit. Even with exemptions for small institutions, credit unions can still be harmed as a member of an interconnected financial ecosystem.

**Interchange savings are not passed on to the consumer**

Changes to the system have not benefitted the consumer or small businesses, but rather help retail giants who are under no statutory obligation to pass savings on to consumers.

Interchange fees have already been capped on debit card transactions involving financial institutions with \$10B or more in assets and resulted in little to no consumer benefit. A 2022 report issued by the Government Accountability Office and a 2021 study by the Consumer Financial Protection Bureau indicate that interchange caps failed to benefit consumers and disproportionately *harmed* lower-income households.<sup>1,2</sup> The CFPB concluded:

Overall, the evidence indicates that operation of Section 1075 of the Dodd-Frank Act has had a significant adverse impact on financial inclusion, especially for lower-income consumers... [the amendment has] driven many lower-income consumers out of the

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<sup>1</sup> <https://www.gao.gov/assets/gao-22-104468.pdf>, p 22.

<sup>2</sup> [https://files.consumerfinance.gov/f/documents/cfpb\\_taskforce-federal-consumer-financial-law\\_report-volume-1\\_2022-01\\_amended.pdf](https://files.consumerfinance.gov/f/documents/cfpb_taskforce-federal-consumer-financial-law_report-volume-1_2022-01_amended.pdf)

mainstream financial system and pushed them toward greater reliance on alternative financial services providers such as check cashers and prepaid cards. In exchange there is little evidence of substantial pass-through of merchant savings to consumers.<sup>3</sup>

Additionally, Federal Reserve's 2017 data shows that small financial institutions were harmed by cap implementation despite exemptions for smaller institutions.<sup>4,5</sup>

### **Increased insecurity in the financial payments system**

Financial institutions partner with reputable card processors to handle sensitive consumer information safely and reliably. This legislation would incentivize profit-maximizing merchants to unilaterally choose the cheapest networks even if they lack security technology and protocols effectively exchanging consumer data security for retailer profits.

### **Undue financial burden on financial institutions**

Financial institutions are responsible for fraud and losses arising from data breaches such as those caused by negligent retailers. Increased insecurity will create additional costs to the financial institutions and ultimately, the consumer.

In searching for potential consumer savings, this legislation unilaterally empowers retailers to maximize profits without implementing guardrails for stakeholders. As an unintended consequence, consumers will have less access to safe, affordable financial products. The Association holds that merchant profits should not come at the expense of the financial health and security of New Yorkers.

We look forward to continuing to collaborate to best meet the financial needs of New Yorkers. If you have any questions, please contact Henry Meier at [Henry.Meier@nycua.org](mailto:Henry.Meier@nycua.org) or 518-437-8144 or Kristina Persaud at [Kristina.Persaud@nycua.org](mailto:Kristina.Persaud@nycua.org) or (518) 437-8207.

Sincerely,



William Mellin  
President/CEO

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<sup>3</sup> [https://files.consumerfinance.gov/f/documents/cfpb\\_taskforce-federal-consumer-financial-law\\_report-volume-1\\_2022-01\\_amended.pdf](https://files.consumerfinance.gov/f/documents/cfpb_taskforce-federal-consumer-financial-law_report-volume-1_2022-01_amended.pdf), p 596.

<sup>4</sup> <https://www.federalreserve.gov/econres/feds/files/2017074pap.pdf>

<sup>5</sup> interchange revenue dropped by 22 percent from PIN transactions for credit unions and community banks