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Merchants Payments Coalition Calls on Federal Reserve to Look at Interchange Fees to Protect Both Consumers and Retailers from Excessive Hidden Fees

Group welcomes Fed focus on credit cards but stresses much more needs to be done

WASHINGTON, D.C. -- December 18, 2008

The Federal Reserve Board needs to include interchange fees in its examination of credit card industry practices, urged a group representing the nation's retailers. The Merchants Payments Coalition (MPC) /UnfairCreditCardFees.com is proposing that the Federal Reserve specifically examine how interchange fees – which totaled \$42 billion in 2007, about twice what consumers paid in late fees – are set and how they ultimately affect consumers.

Interchange fees are collected by banks and credit card companies any time a consumer uses a credit card to make a purchase and ultimately these fees lead to higher prices for all consumers. Since these fees are hidden, consumers are unaware of the cost of using their cards.

The MPC applauds Chairman Ben Bernanke for his leadership in reining in deceptive and anti-consumer practices by credit card companies, but remains concerned that these steps do not go far enough to address hidden interchange fees that are among the highest worldwide. Earlier this year, Chairman Bernanke said "The proposed rules are intended to establish a new baseline for fairness in how credit card plans operate . . . Consumers relying on credit cards should be better able to predict how their decisions and actions will affect their costs."

<http://www.federalreserve.gov/newsevents/press/bcreg/20080502a.htm>. That cannot happen unless the current system of interchange fees is reformed.

John Motley, Senior Vice President of Government Relations at The Food Marketing Institute, said "We welcome Chairman Bernanke's attention to the burgeoning cost of credit cards. But the Fed will need to go much further if they are to truly prevent merchants and their customers from being hammered by skyrocketing fees. In a time of economic anxiety, with many retailers reporting major declines in consumer spending, and consumers attempting to spend more wisely, it is dispiriting to know that nearly \$2 of every \$100 consumers charge on plastic is swallowed by the credit card companies in a hidden fee. Now is the time to address these buried fees, and protect both merchants and their customers from further financial peril".

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The MPC proposes that interchange fees be transparent and that merchants be granted an anti-trust exemption that will allow them to negotiate with the big credit card companies to produce fairer fees. "Reducing interchange fees will help both consumers and Main Street businesses in this very difficult time for both. The MPC hopes the Fed and Congress will finally create a fair interchange fee system in 2009," said Lyle Beckwith, senior vice president of government relations in a press release. (Link to: .

The Merchants Payments Coalition (MPC) /UnfairCreditCardFees.com is fighting for a more competitive and transparent card system that works better for consumers and merchants alike. The MPC's member associations collectively represent about 2.7 million stores with approximately 50 million employees. For more information to go: UnfairCreditCardFees.com.

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