

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

## Report: Interchange Fees Impede Economic Growth, Job Creation

By Linda Lisanti



February 22, 2010 - INDIANAPOLIS -- Less than 20 percent of the interchange fees charged by credit card companies actually covers the cost of processing transactions, according to a new report by former U.S. Under Secretary of Commerce Robert J. Shapiro, entitled: "The Costs of 'Charging It' in America: Assessing the Economic Impact of Interchange Fees for Credit Card and Debit Card Transactions."

The findings of the report -- commissioned by the Consumers for Competitive Choice (C4CC) coalition and co-authored by economist Jiwon Vellucci -- were released during a teleconference yesterday -- the same day the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 went into effect.

Under the act, consumers will now be given much greater transparency in the way the credit card industry calculates fees and interest rates. However, groups such as C4CC have criticized the legislation for failing to address the critical issue of interchange fees.

Banks and credit card companies swiped \$48 billion in interchange fees from Americans in 2008 alone -- up 300 percent in less than a decade. Every dollar spent on the fees is a dollar not being spent on hiring employees or passing savings on to consumers, according to the Indianapolis-based consumer coalition.

During yesterday's teleconference, Shapiro said the report was aimed at uncovering why interchange fees, also known as swipe fees, are so high in the United States compared to other countries, and what the economic consequences are of having such high fees.

As to why the fees are so high, Shapiro said the U.S. credit card industry is without free market competition since 80 percent of all consumer transactions occur on three cards -- Visa, Mastercard and American Express -- and four banks, including giants Bank of America and Citigroup, dominate the issuance side of credit cards.

"There's a lot of competition within this handful of companies," he said, noting the credit card companies and banks compete with each other by offering large rewards that are financed by the fees. "The competition is driving these fees up rather than driving them down."

Interchange fees average between 1 percent and 3 percent of the value of every purchase. This is not in line with the fees charged in other countries, according to Shapiro.

More than half of the fee is passed on to consumers through higher prices, he added. The report found the average American household, even if they never use a credit card themselves, pays \$230 a year in higher retail prices resulting from credit card fees not associated with the cost of processing transactions. "That reduces the real demand for goods and services because \$230 a year is going to these fees," said Shapiro.

Also according to the report, if interchange fees were reduced to the actual cost of processing the transactions plus an average profit level, the resulting increase in economic activity would generate nearly 242,000 new jobs across the U.S. economy.

"The credit card system provides a lot of benefits. ... There is certainly a value there and you would expect that some charges would accrue to those who provide that value to merchants and consumers. However, when we look at the fees, one thing jumps out and that is the level of the fees," Shapiro said. "These fees are unnecessarily high.

"Although the CARD act [contains] valuable changes and reforms, this should be just the first stage. The next stage should

be reform of the swipe fees," he concluded.

#### Related News:

[Small Businesses Fight Swipe Fees in D.C.](#)

[Consumer Group: Interchange Stifles Job Growth](#)

#### Links referenced within this article

interchange fees

[http://www.csnews.com/csn/search/search\\_results\\_taxo.jsp?startDate=02/24/2009&endDate=02/22/2010&cf=&ct=&cu=&rpp=50&sb=REFERENCE\\_DATE&so=DESC&ti=2&tp=vnuTaxoPool&numRet=200&src=&showAbs=true&srchMeta=true&shwTotal=true&metaSrchNum=250&numMeta=20π=&pubList=Convenience%20Store%20News&kw=%22interchange+fees%22&au=&mt=&mv=&esindct=false](http://www.csnews.com/csn/search/search_results_taxo.jsp?startDate=02/24/2009&endDate=02/22/2010&cf=&ct=&cu=&rpp=50&sb=REFERENCE_DATE&so=DESC&ti=2&tp=vnuTaxoPool&numRet=200&src=&showAbs=true&srchMeta=true&shwTotal=true&metaSrchNum=250&numMeta=20π=&pubList=Convenience%20Store%20News&kw=%22interchange+fees%22&au=&mt=&mv=&esindct=false)

Consumers for Competitive Choice (C4CC)

[http://www.csnews.com/csn/search/search\\_results\\_taxo.jsp?startDate=02/24/2009&endDate=02/22/2010&cf=&ct=&cu=&rpp=50&sb=REFERENCE\\_DATE&so=DESC&ti=2&tp=vnuTaxoPool&numRet=200&src=&showAbs=true&srchMeta=true&shwTotal=true&metaSrchNum=250&numMeta=20π=&pubList=Convenience%20Store%20News&kw=%22Consumers+for+Competitive+Choice%22&au=&mt=&mv=&esindct=false](http://www.csnews.com/csn/search/search_results_taxo.jsp?startDate=02/24/2009&endDate=02/22/2010&cf=&ct=&cu=&rpp=50&sb=REFERENCE_DATE&so=DESC&ti=2&tp=vnuTaxoPool&numRet=200&src=&showAbs=true&srchMeta=true&shwTotal=true&metaSrchNum=250&numMeta=20π=&pubList=Convenience%20Store%20News&kw=%22Consumers+for+Competitive+Choice%22&au=&mt=&mv=&esindct=false)

credit cards

[http://www.csnews.com/csn/search/search\\_results\\_taxo.jsp?startDate=12/24/2009&endDate=02/22/2010&cf=&ct=&cu=&rpp=10&sb=REFERENCE\\_DATE&so=DESC&ti=2&tp=vnuTaxoPool&numRet=200&src=&showAbs=true&srchMeta=true&shwTotal=true&metaSrchNum=250&numMeta=20π=&pubList=Convenience%20Store%20News|Progressive%20Grocer&kw=%22credit+card%22&au=&mt=&mv=&esindct=false](http://www.csnews.com/csn/search/search_results_taxo.jsp?startDate=12/24/2009&endDate=02/22/2010&cf=&ct=&cu=&rpp=10&sb=REFERENCE_DATE&so=DESC&ti=2&tp=vnuTaxoPool&numRet=200&src=&showAbs=true&srchMeta=true&shwTotal=true&metaSrchNum=250&numMeta=20π=&pubList=Convenience%20Store%20News|Progressive%20Grocer&kw=%22credit+card%22&au=&mt=&mv=&esindct=false)

Small Businesses Fight Swipe Fees in D.C.

[http://www.csnews.com/csn/search/article\\_display.jsp?vnu\\_content\\_id=1004065266](http://www.csnews.com/csn/search/article_display.jsp?vnu_content_id=1004065266)

Consumer Group: Interchange Stifles Job Growth

[http://www.csnews.com/csn/search/article\\_display.jsp?vnu\\_content\\_id=1004051731](http://www.csnews.com/csn/search/article_display.jsp?vnu_content_id=1004051731)

#### Find this article at:

[http://www.csnews.com/csn/news/article\\_display.jsp?vnu\\_content\\_id=1004070317](http://www.csnews.com/csn/news/article_display.jsp?vnu_content_id=1004070317)



[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Uncheck the box to remove the list of links referenced in the article.