



DCUC
DEFENSE CREDIT UNION COUNCIL

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Anthony R. Hernandez
President/CEO

February 16, 2024

The Honorable Jack Reed
Chairman
Senate Armed Services Committee
228 Russell Senate Building
Washington, DC 20510

The Honorable Roger Wicker
Ranking Member
Senate Armed Services Committee
228 Russell Senate Building
Washington, DC 20510

Re: Financial Readiness Concerns with the Credit Card Competition Act

Dear Senator Reed and Senator Wicker,

On behalf of America's 182 Defense Credit Unions and over 35 million members, I am writing to express the Defense Credit Union Council's ongoing concerns with to the proposed Credit Card Competition Act. The proposed legislation will risk military financial readiness while securing yet another windfall for big box retailers and e-commerce giants. America cannot afford to endanger millions of military and veteran members by incentivizing merchants to route transaction data over cheap, unsecure networks with zero accountability.

Merchants and retail groups seek further restrictions on credit interchange because they want the federal government to increase their bottom lines by requiring that banks and credit unions to route credit card transactions to the cheapest network. They are using the same false promises which led to the 2010 Durbin Amendment. Worse, these groups are now exploiting military members, and targeting Medal of Honor recipients, Purple Heart recipients, former POWs and Disabled Veterans among others in their flawed study proposal.

We know big box retailers and e-commerce giants are making empty promises. According to a 2014 survey conducted by the Federal Reserve Bank of Richmond, there is a clear disconnect in what was promised during the 2010 Durbin Amendment versus what occurred. In fact, the survey highlights a sizable fraction of merchants who raised their prices or imposed restrictions on debit card use to avoid paying debit interchange fees.

Yet, merchants consistently failed to reduce prices or remove debit restrictions, even as debit costs decreased, and kept the profit for themselves. Additionally, no one is monitoring compliance with the original 2010 Durbin Amendment with respect to debit cards. Consumers continue to lose. There is nothing in the legislation indicating things will be different for credit cards.

Apart from doing nothing to lower prices for hard-working Americans, there is a security concern. If the Federal Government imposes price controls on interchange, credit card transactions will likely go over less secure, less reliable networks that do not provide a suite of rewards and protections for consumers. Instead, retailers will route transactions over the cheapest networks – many of which have underinvested in their platforms with little concern for security innovations or consumer benefits. Retailers also don't pay when their networks are breached.

Serving Those Who Serve Our Country

In the words of CMSPI, a self-described merchant think tank, routing on credit, “means that merchants can choose to *send the transaction down the cheapest available route.*” Not the most secure network, not the one that generates the greatest value to consumers, but the cheapest route. Our military members and veterans deserve better.

A couple years ago, it was equally alarming to see a study proposal on “credit and debit card user fees *imposed* on veteran and caregivers at commissary stores and MWR facilities.” Apart from several privacy concerns, the difficulty in obtaining the required data, and lack of proper banking committee oversight, the mere title of the study suggests a predetermined conclusion. Plus, it is the federal government, not consumers themselves, who pays these fees at commissaries and MWR facilities. The federal government should continue to do so in recognition of these heroes.

In case these arguments are made once more, we doubt the American public wants to read that Congress voted to increase merchant profits by exploiting Medal of Honor recipients, Purple Heart recipients, former POWs, and Disabled Veterans. Our nation’s defense credit unions understand that now more than ever we need to put our nation’s servicemembers first and reject the hollow call for new laws that would make basic financial services even more expensive for working-class Americans. We urge you to stand with us and stand up to the powerful interests pushing this by rejecting this legislation.

If there is anything we can do to provide additional information on the impact of this legislation or other payments issues, please let us know. My office can be reached at (202) 734-5007 or at ahernandez@dcuc.org.

Sincerely,



Anthony R. Hernandez, Colonel, USAF (Ret)