December 2016

CHOICE Act, H.R. 5983, Section 335, Removes Debit Choice and Competition

Dear Congressional Leadership,

As grocers accepting debit cards from customers every day in every congressional district across the nation, we want to make sure you are aware of our strong opposition to an attempt to eliminate competition and efficiency on these transactions.

We strongly oppose Section 335 of H.R. 5983, the Financial CHOICE Act, which would repeal debit reforms that are very important to our businesses. We understand this legislation may be considered on the House floor during the lame duck session after the election.

The debit reforms were passed in 2010 and have been working ever since that time to rein in the anticompetitive practices of the largest card brands by requiring them to allow smaller networks to compete for both bank and merchant routing business every time a card is swiped by a customer. Today, we have at least two ways to route every debit transaction. By having to compete in the open market, networks have become more efficient, and merchants have experienced increased reliability and security while reducing fees. Repealing this law today would remove this competition and efficiency.

The 2010 reforms also brought transparency and predictability to the cost of accepting debit cards from the nation’s largest issuing banks. As the swipe fee caps only apply to financial institutions with over $10 billion in assets, repealing the debit reform law will allow the giant banks to raise prices even higher on an industry that survives on an average 1% profit margin every year. The banks are already guaranteed over a 500% profit on these transactions under the Federal Reserve caps.

Legislation that is considered by Congress should work to foster competition and innovation. Section 335 of the so-called CHOICE Act (H.R. 5983) does the exact opposite by removing competition and choice. We request that you oppose Section 335 of H.R. 5983 if it is considered individually or as part of a package during the post-election lame duck session.

Sincerely,
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