

**Statement of Congressman Peter Welch on H.R. 2382 before the  
House Financial Services Committee**

October 8, 2009

Mr. Chairman and members of the Financial Services Committee, thank you for the opportunity to testify on credit card interchange legislation that I introduced with Congressman Bill Shuster from Pennsylvania.

Credit cards are necessary in today's economy. They provide a great service to merchants in the form of secure payment. They provide a great service to consumers in terms of convenience. And it's reasonable to expect that merchants pay a fair fee for this service, just as consumers should pay a reasonable interest rate on credit.

But just as with credit cards issued to consumers, the near monopoly of big banks and credit card companies leads to abuse. The amount of interchange collected by big banks tripled from 2001 to 2008. Credit card companies and big banks are finding more and more ways to squeeze merchants, for whom the profit on an individual sale can be completely canceled out by the cost of the burdensome interchange fee.

The Welch-Shuster bill addresses these abusive interchange practices. Our bill raises some fundamental policy questions that you, as members of the Financial Services Committee, must decide.

- Should credit card companies and banks have to disclose information about interchange rates? My view is yes; our bill would require such disclosure to the public.
- Should merchants be able to freely advertise cash discounts without credit card company intervention? My view is yes; our bill would ensure merchants have this freedom.
- Should merchants have to subsidize rewards or premium credit cards from which they derive no benefit? My view is no; our bill would prohibit this practice. If a bank or credit card company wants to offer me airline miles, for example, my corner store shouldn't have to pay for that.
- Should the government be able to set rules of the road and require the banks and credit card companies to play fair? My view is yes, and that is why this bill empowers the Federal Trade Commission to prohibit unfair or anticompetitive practices.

Mr. Chairman, what is at issue here is a question of basic fairness and reasonable regulation of credit card and large bank practices. Thank you for the opportunity to testify on this issue. I welcome your questions or comments.