



February 16, 2022

The Honorable Ed Perlmutter  
Chairman  
Subcommittee on Consumer Protection and  
Financial Institutions  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Blaine Luetkemeyer  
Ranking Member  
Subcommittee on Consumer Protection and  
Financial Institutions  
House Committee on Financial Services  
4340 O'Neill House Office Building  
Washington, DC 20024

Dear Chairman Perlmutter and Ranking Member Luetkemeyer:

The Merchants Payments Coalition respectfully requests to have this letter included in the record for the hearing titled "Small Businesses, Big Impact: Ensuring Small and Minority-Owned Businesses Share in the Economic Recovery." MPC advocates on behalf of the merchant community to improve the U.S. payments system to make it equitable for all stakeholders large and small. In fact, the overwhelming majority of U.S. merchants are small businesses, with more than 98 percent of all retail companies employing fewer than 50 people. Additionally, according to the U.S. Census bureau, 18 percent of small businesses are minority owned, a number we hope and expect to see increase. These small businesses are the backbone of our economy and drivers of local commerce. We greatly appreciate the Committee's recognition of the important role Main Street merchants play and your commitment to ensure that they remain viable participants in our economic recovery.

One area that impacts all merchants, particularly small businesses, is the cost of accepting credit and debit cards. In 2020, banks and payment networks charged U.S. merchants – and ultimately their customers – an astonishing \$110.3 billion to process card transactions, with credit cards making up the bulk of the total. Credit card "swipe" fees have skyrocketed over the past decade due to the underlying lack of competition in the market. In fact, U.S. small businesses pay the highest swipe fees in the industrialized world, placing them at a distinct disadvantage to their global competitors. Two players – Visa and Mastercard – hold close to 80 percent of the credit card market. They set the fees that all their banks charge small merchants and the rules with which they must comply. The fees are the same for all the banks that issue each network's cards so there is no competition among them on price, leaving merchants with no option but to pay the overinflated fees to participate in today's economy. The impact of credit card fees has been exacerbated during the pandemic as customers have shifted to online shopping where cash and check are not viable payment options and credit card fees are even higher than they are for in-store transactions.

Unfortunately, the pain swipe fees inflict is only getting worse – Visa and Mastercard have announced fee increases and rule changes set to take affect this April. The unilateral ability of these two networks

to increase fees without regard to the impact they have at a time when small businesses are facing record inflation and supply chain challenges is a clear demonstration of a broken market.

Small merchants and the entire economy thrive in an open and competitive market. Unfortunately, today's credit card market is anything but open or competitive. Congress can and should act quickly to implement reforms to bring competition and transparency to the U.S. credit card market. Main Street businesses are looking to Congress to address the broken card market that continues to stunt our nation's economic recovery and threatens to do even more harm in the immediate future.

Thank you again for your commitment to ensure that small businesses share in our economic recovery. MPC and our members stand ready to work with the committee to bring impactful, pro-competitive reforms to our broken credit card market.

Sincerely,

Merchants Payments Coalition