

May 13, 2026

The Honorable Tim Scott
Chairman
United States Senate Committee on
Banking, Housing, and Urban Affairs
Washington, DC 20510

The Honorable Elizabeth Warren
Ranking Member
United States Senate Committee on
Banking, Housing, and Urban Affairs
Washington, DC 20510

Dear Chairman Scott and Ranking Member Warren:

The undersigned groups, representing a broad cross section of Main Street and interests across all fifty states, write to express our strong opposition to an amendment proposed by Sen. Britt to the Clarity Act - S. 3849, the Community Bank Relief Act. This amendment would exempt dozens of card-issuing financial institutions from Federal Reserve Regulation II and thus increase the fees deducted from transactions made with those institutions' debit cards. At a time when small businesses are struggling to stay afloat and when consumers are facing serious affordability challenges, the last thing our nation needs is higher debit card transaction fees that are borne by merchants and consumers. But that is exactly what a vote for this amendment would bring about.

Regulation II places reasonable limits on the debit interchange fees that card network companies like Visa and Mastercard centrally price-fix on behalf of card-issuing financial institutions. These interchange fees are deducted from transaction amounts and retained by card issuers when a debit card is used, meaning that merchants do not end up receiving the full amount paid by card and often must raise retail prices to cover the cost of the deducted fees. These fees fuel inflation; as interchange fees increase, the prices consumers pay for groceries, gas, and other goods and services typically increase as well.

There is no justifiable need to change the asset threshold for Regulation II, and there are several compelling reasons not to do it.

First, Regulation II only applies to fees that financial institutions allow card networks to fix on their behalf. When Congress passed the statute creating Regulation II, Congress directed that the law's reasonable limit requirement should apply to card issuers with assets of over \$10 billion whenever they allow card networks to the interchange fee rates they receive. Any card issuer that sets its own interchange fee rates is not subject to regulatory limits under Regulation II. But when card-issuing banks engage in collective interchange fee-setting through Visa and Mastercard, market competition between banks over fee rates is absent and the rates rise to excessive levels. This failure of marketplace competition is why Congress acted in the first place to direct the Federal Reserve to help keep fees at a reasonable level. Visa and Mastercard continue to centrally price-fix interchange rates on behalf of their card issuers today, and as long as this market failure still exists, Congress should not roll back Regulation II's limits.

Second, under Regulation II, banks with over \$10 billion in assets currently enjoy fee rates that are quite generous. Regulation II provides that if card issuers with over \$10 billion in assets allow Visa or Mastercard to fix debit interchange fees on their behalf, the fees must be reasonable and proportional to the cost incurred by the issuer with respect to the transaction. The average per-transaction cost for the issuers currently subject to Regulation II is 4.1 cents, yet Regulation II allows those issuers to receive 23-24 cents per transaction in debit interchange. That means that under the regulation, the average debit transaction nets regulated card issuers a profit of 500 percent over cost. That is a lucrative profit margin, especially when compared to retailers whose profit margins are usually in the low single digits, and further increasing that profit margin would come directly at the expense of merchants and consumers.

Third, this amendment would increase inflation at the checkout counter and at the gas pump. The vast majority of financial institutions in the country have under \$10 billion in assets, and those issuers are exempt from Regulation II and are allowed to have Visa and Mastercard fix their fees without regulatory limits. Those exempted issuers currently receive debit interchange fees averaging 62 cents for signature debit transactions – nearly three times higher than the Regulation II rate. Sen. Britt's amendment, by retroactively indexing that \$10 billion asset threshold exemption to inflation, would by our estimation exempt approximately 25 out of the biggest 130 banks in the country from Regulation II. That would mean those banks could immediately deduct dramatically more interchange fees which merchants and ultimately consumers would have to pay—even though those banks' costs have not increased. This would produce an enormous windfall for several dozen banks while burdening merchants and consumers with higher costs and prices.

Fourth, this amendment would significantly increase the interchange fees that merchants must pay to dozens of large banks while doing nothing to stop those banks from increasingly shifting the burden of debit fraud losses on to merchants and consumers. Since Regulation II took effect, card issuers have become extremely efficient at working with Visa and Mastercard to charge back merchants for fraud losses when they occur. According to the Federal Reserve, in 2009, large debit card issuers bore 61 percent of debit fraud losses, but in 2023, they bore only 28 percent of those losses. This is because they have increasingly charged back those losses onto merchants, who in 2023 bore 50 percent of fraud losses, and consumers, who in 2023 bore 22 percent of fraud losses. Given that merchants and consumers now pay significantly more for debit fraud losses than card issuers do, requiring those merchants and consumers to pay higher interchange without doing any rebalancing of how fraud losses are allocated does not make sense.

In short, Visa, Mastercard and their large card-issuing banks have structured the interchange fee system to avoid competitive market pressures. As a result of this broken market, Congress had to step in to place reasonable limits on debit interchange fees for the sake of Main Street merchants and their customers. But Visa, Mastercard and large card issuers continue to dominate the debit market and maintain centralized interchange fee-fixing, and Regulation II's reasonable limits are therefore still needed to keep excessive fees in check. Changing the asset threshold for Regulation II while leaving the underlying market failure of centrally-fixed interchange rates unaddressed would be the wrong policy choice.

This amendment would reward price-fixing, expand bank profit margins that already average 500 percent, and stick Main Street merchants and consumers with higher costs and prices. It would drive up inflation at a time when Americans cannot afford it.

We would be happy to work with the committee on legislation to bring more competition and reasonableness to the payment card market. But this amendment represents the wrong approach, and we strongly oppose it. We look forward to continued engagement with you on issues involving the payment card market.

Sincerely,

American Beverage Licensees
American Booksellers Association
Coalition of Franchisee Associations
Energy Marketers of America
FMI – The Food Industry Association
Merchants Payments Coalition
National Association of College Stores
National Association of Convenience Stores (NACS)
National Grocers Association
National Restaurant Association
National Retail Federation (NRF)
National Sporting Goods Association (NSGA)
NATSO - National Association of Truckstop Operators
Outdoor Hospitality Industry
Retail Industry Leaders Association (RILA)
SIGMA - America's Leading Fuel Marketers
Workplace Solutions Association

cc: Senate Banking Committee Members