

## ILLINOIS CREDIT UNIONS URGE

# REPEAL OF THE INTERCHANGE FEE PROHIBITION ACT (IFPA)



Harms Illinois consumers. Presents privacy concerns.  
Threatens fraud protection and the security of payment systems.

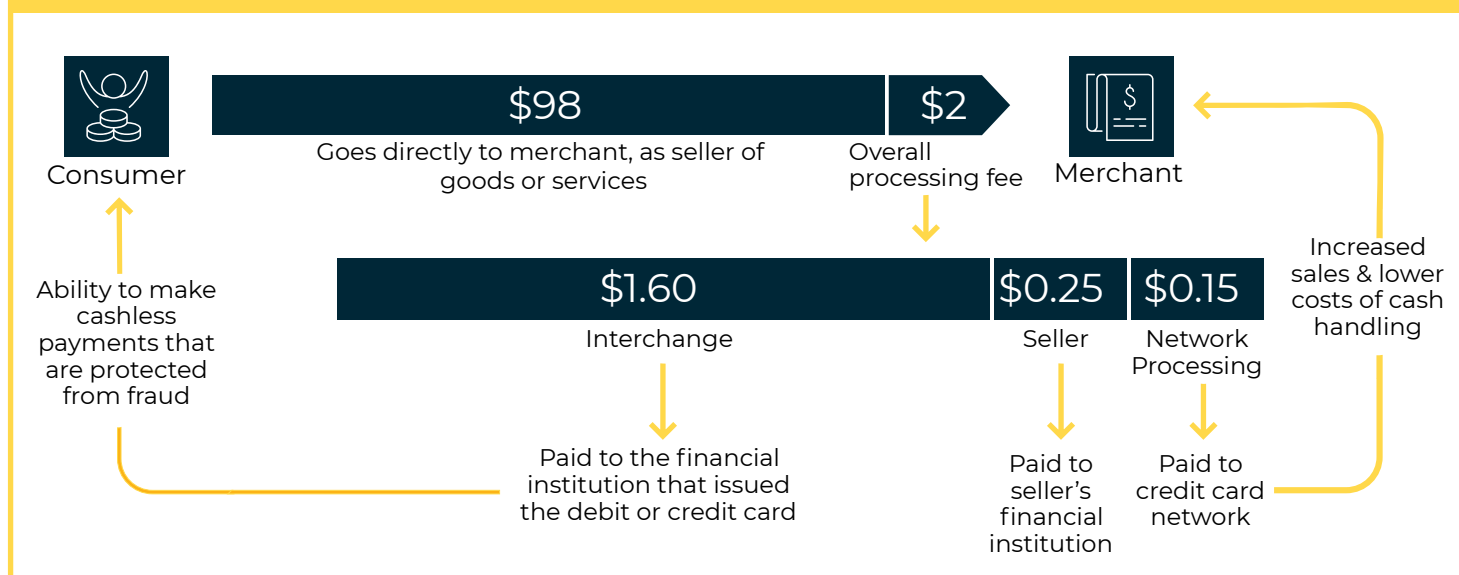


### What is Interchange?

When a consumer purchases something using a card, their available funds are guaranteed nearly instantaneously and retailers get paid, thanks to a highly efficient and secure payments system.

The financial institution that issued the payment incurs significant costs to operate a 24/7 payments system that protects consumers and retailers. Financial institutions receive part of the overall fee to help pay for those costs. Credit unions use some of those fees to protect consumers from fraud, however, financial institutions do not set the interchange rates. The fees can range from 0.15 to 3%, with debit cards at a much lower rate than credit cards.

### \$100 CREDIT CARD TRANSACTION WITH 2% INTERCHANGE FEE



Payment cards are convenient for consumers and merchants. Public safety benefits by having less cash present, and reduced processing times and manual accounting required for cash leading to increased efficiency at the point of sale and accounting functions. The electronic payments system benefits consumers and merchants.

The Interchange Fee Prohibition Act (IFPA) ignores the fact that the operational demands, fraud protection, guaranteeing funds, and related transfers, and access to credit come at a modest cost given the convenience and efficiency of the global payments system consumers enjoy.



The current global payments system is designed for efficiency and security with minimal data collected to protect consumer privacy, since retailers are not subject to the same level of data privacy standards as financial institutions.



## Implementation of Illinois IFPA would:

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- Directly inhibit the security and efficiency of the card payment network.
- Remove resources for local credit unions to provide digital payment access to their members, harming them and businesses.
- Disproportionately impact local financial institutions like credit unions that overwhelmingly serve individuals in a single state and do not have the ability to spread costs around nationally as multi-national corporations can.
- Lead to complicated post-transaction reimbursements requiring, highly resource intensive reviews and potentially opening the door for rampant fraud and abuse.
- Put consumer privacy at risk, as all details of consumer purchases would be known, as opposed to just total transaction amount flowing through the electronic payments system.
- Lead to fewer local financial institutions able to serve and be directly responsive to the needs of Illinoisans.



## Additionally, retailers have options and choices:

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- Retailers can already surcharge the entirety of the transaction. Many retailers burden consumers with this cost of doing business, charging consumers in excess of actual interchange cost.
- The State of Illinois fairly compensates retailers for collecting sales tax on their behalf. Illinois is more generous than most states in their merchant compensation.
- Retailers can choose only to accept debit cards, which have lower interchange rates than credit cards.
- They could opt to only accept cash, which increases the threat of safety issues for consumers and businesses and is more expensive to manage than card transactions. However, doing so would restrict access to credit that most Illinoisans rely upon to meet the demands of everyday life.
- Recognize these are highly transparent and agreed-to costs known up front and include them in their prices like every other business expense needed to operate, such as rent and utilities.
- Retailers know that consumers spend more at their establishments when using cards, but are still unwilling to accept the costs associated with card processing.
- Many hard working Illinoisans rely on tips generated by card transactions. IFPA threatens to have a negative impact on the livelihoods of tipped workers if the gratuity portion of the transaction is required to be collected in cash.

**The Bottom Line: The IFPA is BAD policy for the State of Illinois and threatens severe consequences on credit unions and the members we serve.**

**Illinois credit unions ask legislators to REPEAL this misguided legislation!**