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SENATE JOINT MEMORIAL 8014

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State of Washington

61st Legislature

2009 Regular Session

By Senator Jacobsen

1 TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF  
2 REPRESENTATIVES, AND TO THE SENATE AND HOUSE OF REPRESENTATIVES OF THE  
3 UNITED STATES, IN CONGRESS ASSEMBLED:

4 WHEREAS, Consumers are increasingly using credit and debit cards  
5 and other electronic transactions to make purchases and the number of  
6 credit and debit card transactions each year now exceeds the number of  
7 check transactions; and

8 WHEREAS, The lack of transparency relating to the fees, policies,  
9 and practices of credit card organizations has serious social and  
10 economic consequences for merchants and consumers; and

11 WHEREAS, American consumers pay billions of dollars annually in  
12 undisclosed fees; and

13 WHEREAS, Consumers are not informed about the most expensive credit  
14 card fee of all, the "interchange fee"; and

15 WHEREAS, Undisclosed interchange fees have risen dramatically in  
16 recent years, totaling \$30.7 billion in 2005, up 17 percent over 2004  
17 and 85 percent since 2001; and

18 WHEREAS, Merchants are required to pay these hidden interchange  
19 fees to banks and credit card organizations and are not allowed to

1 offer discounts for cash or disclose to consumers how much they are  
2 paying in interchange fees; and

3 WHEREAS, Interchange fees are ultimately passed on to consumers,  
4 including those who pay by cash or check, in the form of higher prices;  
5 and

6 WHEREAS, Only 13 percent of the interchange fee goes to pay for the  
7 actual cost of an electronic transaction, and 44 percent goes for  
8 rewards programs and other incentives that benefit mostly wealthier  
9 people; and

10 WHEREAS, Banks and credit card organizations use interchange fees  
11 to pay for aggressive marketing programs, including nearly 8 billion  
12 direct mail credit card solicitations in 2005, a 30 percent increase  
13 over the prior year; and

14 WHEREAS, Marketing programs paid for by interchange fees have  
15 helped put a record number of credit cards, almost one billion, in the  
16 hands of consumers, including young people, college students, older  
17 consumers, and others prone to fall into debt; and

18 WHEREAS, American consumers and retailers pay the highest credit  
19 card interchange fees in the world with rates averaging close to two  
20 percent; and

21 WHEREAS, The average American family pays more than 300 dollars  
22 each year in hidden interchange fees; and

23 WHEREAS, Competitive economic models do not work when there are  
24 very few businesses that process transactions and merchants are forced  
25 to accept terms dictated, often without notice or recourse, by the  
26 credit card organizations; and

27 WHEREAS, With more and more consumers using electronic payment  
28 methods, the United States Congress needs to assure that the economic  
29 playing field is fair to consumers, merchants, and card providers  
30 alike; and

31 WHEREAS, More than 90 percent of American adults surveyed agree  
32 that Congress should require credit card organizations to be more open  
33 about their policies and practices regarding interchange fees;

34 NOW THEREFORE, Your Memorialists urges the United States House of  
35 Representatives and the United States Senate to hold hearings on  
36 interchange fees and take action limiting credit card interchange fees  
37 and the clear and concise disclosure to consumers and retailers  
38 thereof;

1           BE IT FURTHER RESOLVED, That copies of this Memorial be immediately  
2 transmitted to the President of the United States Senate, the Speaker  
3 of the House of Representatives, and each member of Congress from the  
4 State of Washington.

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