



Independent
Bankers
Association
of Texas

Credit Union
COALITION
of Texas



CORNERSTONE ADVOCACY

Texas Credit Union
Association



Texas Bankers
Association
Strong Banks. Stronger Communities.

Re: Opposition to the Credit Card Competition Act of 2022

We are writing today to express the unified opposition of the Texas financial services industry to the Credit Card Competition Act of 2022. Representing virtually all the insured depository institutions in Texas – community banks, large institutions employing thousands of Texans, savings banks, and credit unions of all sizes – we strongly oppose this decidedly anti-free market legislation that creates a government-mandated system for private contracting entities. History has shown time and again that the unnecessary insertion of government mandates into the private sector do not work.

Despite assertions to the contrary, the Welch-Gooden Credit Card Competition Act of 2022 will apply to all banks, not just those with more than \$100 billion in assets. The financial services industry's experience as it relates to government mandates in debit transactions has proven this to be the case. Proponents of the 2010 Durbin Amendment to the Dodd-Frank Wall Street Reform Act assured it would only apply to institutions \$10 billion and above. However, we now have more than 10 years of experience showing that all banks and credit unions – regardless of asset size – have been negatively impacted by the Durbin amendment's transfer of debit routing decisions from banks and consumers to merchants.

Furthermore, just as the retail industry is arguing in 2022, in 2010 when big box retailers pushed for the adoption of the Durbin Amendment, American consumers were promised they would realize savings with its passage. This has proven be false. In fact, the Federal Reserve Bank of Richmond found that after the Durbin Amendment was implemented, 98.8% of merchants failed to pass-through savings realized from debit regulation to consumers. Again, the same false promises are being made with the Credit Card Competition Act of 2022. Consumers will not benefit from this bill's passage.

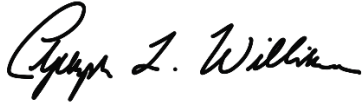
Equally as important, we believe the Welch-Gooden bill will dramatically increase the likelihood of financial harm to Americans due to fraud. Rather than increasing transparency over which networks process credit card transactions as retailers argue, the bill will allow breach-prone merchants to determine how transactions are routed. This will likely lead to merchants using the least costly method, not the most secure one for the consumer or the financial institution that bears the risk of fraud loss. Simply put, the bill authorizes merchants to put consumers at risk because they will opt for the least expensive, least secure networks. This bill will create a race to the data security bottom in the name of cost savings for merchants, and financial institutions will again pay the price.

Insured depository institutions have safeguarded our customers' data for decades. Our customers and state and federal regulators demand nothing less. Our members are payments experts that are best positioned to protect customers against fraud, loss of private data, and the inefficiencies of unreliable systems. Merchants are not subject to the same rigorous data security standards, and the transfer of the sanctity of security protocols to them is misguided. The Texas financial services industry is troubled by what appears to be a total disregard for the security of Americans' financial data. It is shortsighted and alarming to place retailers' profits over the security of your constituents', and all Americans', financial data.

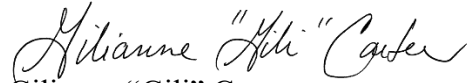
We stand ready to work with you on meaningful legislation that will benefit American consumers. The Welch-Gooden Credit Card Competition Act of 2022, which will only benefit publicly traded big box retailers, is not that bill.

Thank you for your thoughtful consideration of our position.

Sincerely,



Christopher L. Williston VI, CAE
President and CEO
Independent Bankers Association of Texas



Gilianne "Gili" Carter
Executive Director
Texas Credit Union Association



Chris Furlow
President & CEO
Texas Bankers Association



Melodie Durst
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