

Rep. Peter Welch and Vermont country store owner Kathy Miller urged the House Committee on Financial Services Thursday to crack down on unfair credit card swipe fees paid by small businesses.

At a hearing to debate Welch's Credit Card Interchange Fees Act (H.R. 2382), Welch and Miller asked the committee to consider the plight of small retailers forced to pay close to two percent of every purchase in swipe fees to credit card companies and big banks. Miller, who owns the Elmore Store in Elmore, Vermont, said the unfair and abusive practices mean she and her husband Warren often lose money on small purchases.

Welch's legislation would allow merchants to offer discounts for cash payments and set a minimum for credit card purchases, and it would prevent card companies from charging merchants more for rewards card transactions. The bill would increase transparency by requiring card companies to disclose the terms of their agreements to merchants and consumers, and it would increase oversight by empowering the Federal Trade Commission to determine whether any practices are unfair or anti-competitive.

"Credit card companies and big banks are finding more and more ways to squeeze small retailers, for whom the profit on an individual sale can be completely canceled out by the cost of the burdensome interchange fee," Welch told the committee. "What is at issue here is a question of basic fairness and reasonable regulation of credit card and large bank practices."

Miller, a fifth generation Vermonter who has owned the Elmore Store for 26 years, said, "We have streamlined our business to reduce costs as best we can. Maintenance doesn't get done as it should, less money goes out in payroll, but we just can't keep absorbing these fees and survive in these tough economic times. If interchange swipe fees were fair and reasonable, Warren and I would have more money to invest back into our business."

The amount of money big banks collect in interchange fees has tripled from 2001 to 2008, costing American consumers \$36 billion a year. The average family pays \$300 a year in fees. Only 13 percent of those fees go toward processing and transaction costs, while 44 percent goes to subsidizing rewards programs.

Miller told the committee she loses money when customers pay for a pack of gum with a credit card and she makes only two cents when a customer buys a bag of chips.

“I would like to ask you on your next ride home to look and see how many vacant store fronts there are in your small downtowns. Just this winter alone, six stores closed within a 50 mile radius of us,” she told the committee. “Some days I feel like I should just turn in my keys – but too many people count on us. Elmore is a town of 850 people. We are the hub of the community. When someone needs something, who do you call? ‘Mom’ or ‘Pop’ at the Elmore Store. We are just trying to keep our doors open.”