

Democratic Rep. Peter Welch of Vermont and two other House members are urging their colleagues to back legislation that would limit the fees banks charge merchants each time consumers swipe a debit card.

Whether to limit such swipe fees is one of the issues lawmakers must resolve as they reconcile the different financial regulatory reform bills passed by the House and Senate. The Senate bill would limit swipe fees on debit cards (but not credit cards). The House bill, passed in December, contains no equivalent provision.

Welch, along with Reps. Bill Shuster, R-Pa., and Chris Carney, D-Pa., said in a letter to House Speaker Nancy Pelosi and House Minority Leader John Boehner that an amendment the Senate passed 64-33 "helps level the playing field between small businesses and credit card companies."

"On many small sales, grocers and convenience store owners actually lose money," Welch said at a Tuesday news conference. "Some businesses have told me and my colleagues that they spend more on swipe fees each year than they do on health care costs."

Vermont recently became the first state to limit swipe fees on both debit cards and credit cards. The state also prevents credit card networks from fining merchants who set a minimum for credit card purchases or offer discounts to customers using cards with smaller fees.

Retailers say they pass much of what they pay in debit-card and credit-card swipe fees along to consumers in the form of higher prices for products. That amounted to about \$48 billion in higher costs in 2008, according to the National Association of Convenience Stores.

Sen. Patrick Leahy, D-Vt., and Sen. Bernie Sanders, I-Vt., both voted for the Senate provision, drafted by Sen. Dick Durbin of Illinois. It would direct the Federal Reserve to make sure swipe fees for debit cards are "reasonable and proportional" to processing fees.

It also would prevent credit card companies such as Visa and MasterCard from penalizing merchants who offer customers discounts for using other forms of payment with lower or no fees. The provision also would let merchants decline credit cards for small purchases.

It would exempt banks and credit unions with assets under \$10 billion from the limit on debit-card swipe fees.

Ideally, Welch said, limits on swipe fees also would apply to credit cards, but he said Durbin's amendment already contains "very solid protections" for merchants who accept credit cards.

Credit unions, banks and payment card networks oppose the provision. If it succeeds, card-issuing banks will be forced to raise fees, reduce rewards or stop issuing cards altogether, said Trish Wexler, a spokeswoman for the Electronic Payments Coalition.

"When two huge industries get into an epic battle like this -- the retailers versus the banks -- over who pays what, it's always going to be the consumer who ends up losing at the end of that fight," Wexler said.