

Opposing the Credit Card Competition Act

Topline: Senator Marshall's legislation is yet another attempt at government price controls and heavy-handed interventionism. Picking winners and losers in the marketplace only undermines the stability of our banking network while forcing American families to bear the cost of unnecessary regulations.

Background

- The *Credit Card Competition Act* (CCCA), introduced by Sen. Roger Marshall, would mandate the Federal Reserve to further regulate the payments network, effectively targeting banks and credit unions with over \$100b in assets and their ability to process credit card payments in the efficient and existing system of hundreds of millions of consumer credit cards, all while exempting certain companies under the guise of "competition."
- Supporters of the bill argue payment companies are increasing hidden fees and overcharging small businesses and consumers, claiming interchange fees are having an impact on what consumers ultimately pay for products. In reality, credit fees have declined since 2018.
- The bill's stated goal will not increase competition in the credit card marketplace. Instead, it will impose adverse impacts on consumers, many merchants, the entire airline industry, and community financial institutions.

Impact

- The CCCA will reduce consumer options in the marketplace and nullify the competitive differences among credit card offerings while empowering the Federal Reserve to overregulate the credit card market.
- Ultimately, this legislation is a poorly disguised attempt at price controls, as the federal government attempts to regulate interchange and pick winners in the marketplace, leaving consumers bearing the negative effects.
- **For Consumers:** According to the [International Center for Law & Economics](#), the mandates in the bill would wipe out \$60 billion in annual consumer rewards. This would impact 86% of cardholders with active rewards cards, with 77% of those consumers representing a household income of less than \$50,000.
- **For Businesses:** The CCCA also threatens payment security, as it forces credit cards to allow access to all networks, exposing proprietary technology to competing networks, and destroying incentives to create new and innovative fraud protection and cybersecurity. ([R Street Institute](#))
- This bill jeopardizes the stability of community banks and small businesses as they attempt to comply with a new and unnecessary regulatory burden and their customers are left in the lurch.

Conservative Solutions

Rather than supporting yet another [Republican-led effort to empower the Fed](#), conservatives should enact legislation that adopts the following reforms:

- Continue to allow the free market to compete for customer's business without federal intervention. Processing customer's credit card payments is a highly efficient marketplace as customers continue to prefer paying for goods and services through rewards credit cards rather than cash at the point of sale.
- Consolidate and streamline the complex network of Federal Banking Regulators.

- Many banks are subject to the oversight and rulemaking of the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB)
- Eliminate the CFPB and remove its unconstitutional regulatory burden to promote actual competition.
- Reject Biden’s attempts to impose further regulations on credit cards, like limits on late fees and new caps on interest rates.

Additional Resources

[Biden’s Campaign Against “Junk Fees” Is Junk Economics](#)

[Conservatives Should Oppose the “Warren-Lite” RECOUP Act](#)