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CAMDEN R. FINE
President and CEO

November 28, 2007

Dear Editor,

Merchants who are “fed up” with what they deem an anti-competitive interchange system and want the government to artificially manipulate the market should stop by and have a chat with their local community banker. There they might find out, with some degree of irony, that because of a negotiated interchange system, community banks have the ability to aggressively compete for their business and offer them the type of long-term relationship unique to our business model.

As ICBA testified before Congress earlier this year, the payments system in our country is not free, and is not self-sustaining. The costs should be borne by those choosing to take advantage of it. For a merchant who chooses to allow its customers the convenience of using payment cards, interchange is one more cost of doing business, just as are the overhead costs of providing the goods or services they sell. That’s one of the virtues of the interchange system – its ability to successfully bring together and meet the needs of banks, merchants and consumers – that would be lost if the government decides to intervene.

Contrary to popular belief, the real value of a negotiated interchange fee system for many community banks is not massive profits, but the ability to offer a wider variety of products and services to consumers and merchants. A small business can work with their local community banker to structure a deal where they pay competitive – and oftentimes lower – fees, can accept plastic generating additional sales, are assured a consistent payment experience, and are protected against many types of account fraud.

Merchants should exercise their ability to shop around and explore the many payments choices available to them. ICBA members are out there, ready and willing to compete for their business, and they do so in large part thanks to the incentive of default interchange rates. When you take that incentive away, costs will shift in a way merchants might find very uncomfortable, with the final result being more expense and less competition. That’s not a good policy for our financial system, and is particularly harmful for smaller banks that right now play such a vital economic role in the health of our communities.

Sincerely,

Camden R. Fine
President & CEO