

My Turn: Credit cards' dirty little secret

By Tasha Wallis

President Obama recently signed a law called CCARD, or the Credit Card Accountability, Responsibility and Disclosure Act. CCARD is a good start at policing this industry run amok, but doesn't do anything about another of credit cards' dirty little secrets.

They're called interchange fees. If you've never heard of them, you're not alone, because they're hidden. Every time you buy something with your credit or debit card, the merchant pays the card company an interchange fee. We're not talking small change here. In 2006, interchange fees totaled over \$30 billion. That's more than all the annual fees, late fees, over-limit fees and balance transfer fees combined.

Where does all that money go? Only about 15 percent covers the cost of your transaction; 40 percent goes for corporate marketing, profits and other costs. The other 45 percent pays for "rewards" -- you know, all the stuff companies want you to believe they're kicking back because you're such a good customer: store credits, travel miles, books, donations and other so-called rewards. But look, rewards aren't really rewards if you have to give them to yourself, which is exactly what's happening.

Because get this: Who do you think ends up paying those billions of interchange fees? If you pointed at yourself, you were correct. Merchants have to spread their costs across goods and services, so the average American family pays almost \$300 a year for interchange fees.

Credit cards aren't bad things, of course. They're convenient and, used properly, make our lives simpler. But the card companies are already reaping unprecedented profits. Interchange fees are just icing on their very rich cake. Help may be on the way, though, from -- where else? -- good old Vermont. In 2006, Sen. Leahy invited Kathy Miller of the Elmore Store to testify about interchange fees before the senate judiciary committee. This year, Rep. Peter Welch introduced the Credit Card Interchange Fees Act.

It would provide greater transparency on interchange fees, bar credit card issuers from charging retailers for rewards and give the Federal Trade Commission better oversight.

Let's hope that act becomes law. The only interchange fees we should be paying are on the highways.

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