

Merchants Payments Coalition: Debit Card Fast Facts

Fast Fact #6: Despite Visa’s testimony that their published interchange rates have not increased, the fact is that debit card interchange fee rates per transaction have quadrupled for small retailers since the mid-1990’s.

PIN-Debit Interchange Costs Since the Mid-'90s

(in cents, assumes \$50 face-to-face sale at small retailer)

Network	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Star	7.5	7.5	7.5	7.5	17	17	34	34	44.5	44.5	44.5	52.5	N/A	N/A
Interlink	22.5	12	12	20	20	20	44.5	44.5	44.5	50	50	50	52.5	52.5
NYCE	7.5	7.5	7.5	7.5	12.5	12.5	34	40	42.5	42.5	42.5	42.5	N/A	N/A
Pulse	5	8	8	10	10	10	15	18	18	42.5	42.5	42.5	N/A	N/A
Accel/Exchange	7.5	7.5	7.5	7.5	7.5	7.5	18	31	40	42.5	42.5	42.5	N/A	N/A
Shazam	N/A	0	2.5	N/A	N/A	N/A	10	10	10	15	24	24	N/A	N/A
Jeanie	N/A	6	6	N/A	N/A	N/A	N/A	11	11	40	40	44.5	N/A	N/A
Networks	N/A	5	15	15	15	15	15	15	15	15	15	15	N/A	N/A
AFFN	N/A	N/A	0	10	N/A	12.5	12.5	14	18	18	N/A	37.5	N/A	N/A
Maestro	9.5	9.5	9.5	9.5	9.5	9.5	9.5	29	45	50	50	50	50	52.5

Source: Fumiko Hayashi, Federal Reserve Bank of Kansas City from data from ATM & Debit News, MasterCard, and Visa

Published: Geisen, Laurie. "The Narrowing Debit Card Interchange Gap." *Digital Transactions*. September 2009.

“According to data compiled by the Federal Reserve Bank of Kansas City, the average interchange expense for a \$50 PIN-debit sale at a small retailer **quadrupled between 1996 and 2007, from 9.9 cents to 40.1 cents.** With a signature debit card, that same sale would generate about 67 cents in interchange.”¹

With the exception of Interlink, which is owned by Visa, swipe fees in the 1990’s ranged from 5 to 10 cents. Technology has improved over the past decade. With merchants bearing 43% of all fraud losses in the debit card system² (with some sources finding merchants bear even more of the fraud), there is no evidence to suggest that a reduction in interchange would hurt banks.

And it is worth noting that Visa and MasterCard have tried to mislead people about the increases in credit card swipe fees as well. “Visa and MasterCard officials told us that their average effective interchange rates applied to transactions have remained fairly constant in recent years when transactions on debit cards, which have lower interchange fee rates, are included. **However, our own analysis of Visa and MasterCard interchange rate schedules shows that the interchange rates for credit cards have been increasing and their structures have become more complex,** as hundreds of different interchange fee rate categories for accepting credit cards now exist.”³

¹ “The Narrowing Debit Card Interchange Gap.” *Digital Transactions*. September 2009, page 20. <http://www.digitaltransactions.net/issues/viewer/2307>

² Federal Reserve Notice of Proposed Rulemaking on Debit Card Interchange Transaction Fees and Routing at pg 81741. <http://edocket.access.gpo.gov/2010/pdf/2010-32061.pdf>.

³ GAO Rept. 10-45, November 2009 at 14 (emphasis added). <http://www.gao.gov/new.items/d1045.pdf>