

January 28, 2025

Dear Member of Congress:

We, the undersigned organizations, **oppose efforts to impose price controls on credit cards. Whether through the inaccurately named Credit Card Competition Act or price caps on interest rates**, price controls on credit distort the market and inhibit banks and credit unions from accurately assessing creditworthiness.

Though not yet reintroduced for the 119th Congress, the *Credit Card Competition Act* received a hearing as recently as November in the Judiciary Committee and is likely to be considered again. As written, it directs the Federal Reserve to draft rules requiring credit cards issued in the United States to offer at least two unaffiliated payment network options for point-of-sale and online transactions. The bill is a backdoor price control, and extension and expansion of the Durbin amendment as enacted in the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203).

According to the bill, the two networks may not both be Visa and MasterCard, because they “hold the 2 largest market shares with respect to the number of credit cards issued in the United States.” However, should market share switch hands to new firms, the routing mandates will no longer apply. The bill also mandates that the proprietary security of the credit cards function so that all networks are available for retailers to pick and choose—consumers get no say whatsoever. In fact, the bill never mentions consumers, nor how they will benefit.

Special interest groups are again trying to use the federal government to alter the credit card market to enrich themselves at the expense of consumers. This textbook rent seeking behavior – pre-Milei Argentine Peronism – is anathema to free market principles and should be staunchly opposed by Republican lawmakers.

There is also no evidence that this bill will pass savings down to consumers. A [report](#) from the Government Accountability Office stated that if the regulations in the Durbin amendment “had not been implemented, 65 percent of noninterest checking accounts offered by covered banks would have been free.” Additional regulation on credit interchange will affect fees and interest in the credit market, thus increasing costs for consumers.

Senators Bernie Sanders and Elizabeth Warren have suggested addressing higher interest rates by simply imposing price controls on the rates credit cards can charge for extending credit to their customers. Senator Sanders recently [endorsed](#) a 10 percent interest rate cap, [echoed](#) by Senator Warren. This, too, would greatly distort the credit market.

Congress already recognized that rate caps are distortive. Prior to 1980, the Federal Reserve’s Regulation Q imposed interest rate caps on bank deposit accounts. Regulation Q was gradually [phased out](#) between 1980 and 1986. According to a [document](#) published by the Federal Reserve Bank of St. Louis, “Congress concluded that interest rate ceilings created problems for depository institutions, discriminated against small savers, and did not increase the supply of residential mortgage credit.”

According to data from a Federal Reserve [report](#), 22 percent of Americans are unbanked or underbanked. Unbanked Americans have no bank account, and the other 16 percent of Americans who are underbanked have bank accounts but rely on payday loans and other short-term financing. One [article](#) in the Fordham Journal of Corporate & Financial Law from 2007 describes how payday lender profit margins are 7.6% compared to 13% for commercial lending institutions. A cap on rates would further reduce margins for lenders and limit access to credit for consumers. This market distortion would ultimately reduce the availability of lending services, which would hurt lower-income borrowers who need immediate access to credit to pay for rent, groceries, or utilities.

We believe price controls on interchange fees or interest rates are diametrically opposed to free market principles. **We encourage all lawmakers to oppose a reintroduced *Credit Card Competition Act* and any attempt at price controls for credit cards.**

Sincerely,



Grover Norquist
President
Americans for Tax Reform



Steve Pociask
Chief Executive Officer
American Consumer Institute



Tom Schatz
President
Council for Citizens Against Government Waste



Paul Gessing
President
Rio Grande Foundation



Chuck Muth
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Citizen Outreach



James Erwin
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Ryan Ellis
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