

Congress of the United States
House of Representatives
Washington, DC 20515-4305

November 7, 2023

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, N.W
Washington, DC 20548

Dear Comptroller General Dodaro:

We are concerned with the increasing burden of interchange fees paid by the federal government, an issue that affects countless taxpayers and nearly every federal agency. Interchange or “swipe” fees are transaction fees charged to merchants, and in this case, the federal government, by credit card companies for processing payment transactions. However, the U.S. credit card market is highly concentrated, with Visa and Mastercard accounting for approximately 83% of general-purpose credit cards. Market competition typically helps keep fees like these in check, but Visa and Mastercard have structured their networks to avoid competitive market pressures on their fees. The Visa-Mastercard duopoly and the nation’s largest banks that issue their cards wield enormous market power in the credit card system, and they have used that power to impose excessive fees and to engage in anticompetitive practices to preserve their market dominance. This puts an undue burden on taxpayers, consumers, and small businesses, leading to a necessity for Congress to enact legislation to enhance competition and choice to reduce excessive fees. Congressional committees have held seventeen hearings over the years examining different aspects of this issue, including multiple hearings in the Senate Judiciary Committee.

The amount of interchange fees paid by the federal government has far-reaching implications for taxpayers. It is estimated these fees amount to a staggering \$240,000,000 per year. That translates to a taxpayer subsidy of over \$1,000,000,000 to Visa and Mastercard over a five-year period. Taxpayers bear the burden of these hidden costs. By introducing competition to the credit card market, the Treasury Department could save and re-direct over \$1 billion toward programs that benefit the American people, including investments in infrastructure, education, healthcare, and small business support.

The way that Visa and Mastercard operate creates inherent competition concerns. Visa and Mastercard set the fee rates and terms of acceptance for all credit cards bearing the logo of the Visa and Mastercard networks, with the cards being issued by the thousands of banks that are members of the network. As a result, fees and terms are effectively dictated to merchants. In 2008, GAO published a report on the costs of credit and debit card fees to federal entities accepting card payments. This report revealed that card networks rarely accommodate requests from federal entities to lower the exorbitant cost of interchange fees paid by taxpayers. In fact, officials at some of the entities stated, “they did not believe they could negotiate effectively with

the card networks—MasterCard and Visa—for lower interchange rates for their transactions.”¹ If the United States government cannot effectively negotiate a lower interchange rate, how can we expect small businesses nationwide to have a fair shot? By manipulating interchange fee rates, Visa and Mastercard maximize profits at the expense of American taxpayers. Given how these fees ultimately impact taxpayers, this raises several concerns and warrants a closer scrutiny of the Visa and Mastercard duopoly.

The substantial amount of money involved and its impact on the wallets of American citizens demands a critical examination of the current system. Congress and regulatory agencies must address this issue to achieve a fairer, more transparent financial landscape that benefits everyone. To truly understand the extent of expenses incurred by the federal government on swipe fees, we request your assistance in providing us with a report on interchange fees paid by federal agencies over the last five fiscal years on an annual basis. Understanding the extent of these expenses incurred by the federal government is crucial for effective fiscal management and resource allocation. To gain a comprehensive understanding, we kindly request the following information provided in an electronic format, such as a spreadsheet or CSV, as a supplement to the report:

- **Total Fees Breakdown:** Please provide the total amount of interchange fees, network fees, and surcharge fees paid by the federal government for each fiscal year over the last five years, broken down on a monthly basis. If possible, please provide a breakdown by federal entity.
- **Average Fee Analysis:** Please provide the average interchange fee, average network fee, and average surcharge fee per transaction paid by the Treasury for each fiscal year over the last five years, broken down on a monthly basis.
- **Fee Breakdown by Card Type or Network:** Please provide a breakdown of interchange fees by payment card type (credit, debit, prepaid, etc.) and card network (Visa, Mastercard, etc.) for each fiscal year over the last five years, broken down on a monthly basis.
- **Mitigation Strategies:** Please provide any relevant information on negotiations the Treasury or federal agencies have had with card networks to mitigate interchange fees, alternative payment methods explored, and any other approaches employed to reduce the impact of interchange fees on taxpayers.
- **Transaction Volume:** Please provide the total number of card transactions processed by the Treasury Department on a monthly basis for each fiscal year over the last five years.
- **Compliance and Penalties:** Please provide the total amount of any fines or penalties the Treasury Department and federal agencies have been charged for non-compliance with

¹ United States Government Accountability Office, “CREDIT AND DEBIT CARDS Federal Entities Are Taking Actions to Limit Their Interchange Fees, but Additional Revenue Collection Cost Savings May Exist,” May 2008, p. 25. Available at: <https://www.gao.gov/assets/gao-08-558.pdf>

Network Rules during each fiscal year over the last five years. If applicable, please provide specific instances or examples of fines or penalties related to non-compliance.

- Benefits: Please provide a summary of any benefits that federal entities receive from accepting and using credit cards.

To reiterate, the federal government could save \$240,000,000 in taxpayer dollars each year. Your assistance in this matter will allow Congress to pursue solutions to the anticompetitive practices in the credit card market, end the exorbitant interchange fees imposed by the Visa/Mastercard duopoly and the nation's largest banks, and restore a long-desired balance in market competition. This increased competition will drive innovation, lower costs, and save the American people millions of dollars.

We appreciate your assistance and attention to this matter and look forward to your response.

Sincerely,



Lance Gooden
Member of Congress

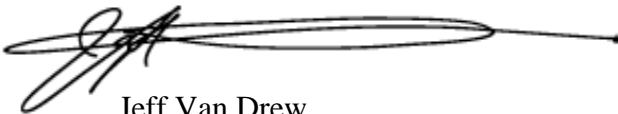
Richard J. Durbin
United States Senator



Zoe Lofgren
Member of Congress



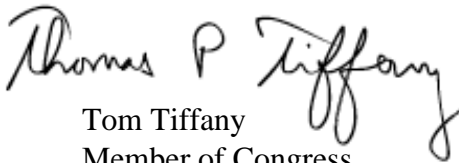
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