

SENATE BILL REPORT

SB 5094

As of February 23, 2009

Title: An act relating to interchange and associated fees.

Brief Description: Regulating interchange and associated fees.

Sponsors: Senator Jacobsen.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/24/09.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Diane Smith (786-7410)

Background: When a consumer uses a debit or credit card to pay for goods or services, the retailer relays a payment request to its bank. The retailer's bank then forwards that request to the bank who issued the card to the consumer. The issuing bank then pays the retailer's bank and the retailer's bank pays the retailer. Both the issuing bank and the retailer's bank keep some portion of the payment. The portion those banks keep are typically called "interchange fees."

The banks use associations (most commonly Visa and MasterCard) to convey the transaction information regarding the cards. For this service, the associations also retain some portion of the consumer's payment for each transaction.

Therefore, the end payment that the retailer receives for the credit card payment is less than the actual amount that the consumer was charged. There are no current regulations, either federal or state, addressing interchange fees.

Summary of Bill: "Interchange fees" are defined as the fees that a merchant's financial institution pays to a cardholder's financial institution when a customer uses a credit or debit card as payment during a retail transaction.

The cardholder's financial institution may not charge an interchange fee that is more than 1.5 percent of the total cost of the retail transaction.

Appropriation: None.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.