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House leaders have reached an agreement with their Senate counterparts on an amendment to financial overhaul legislation that would limit the fees credit and debit card issuers can charge retailers, Sen. Richard J. Durbin (D-Ill.) said Monday.

Durbin's "swipe fee" amendment was included in the Senate version of the bill but not in the House version. Under the compromise, government-issued prepaid cards and reloadable prepaid cards would be exempt from the law.

The agreement "preserves key protections for the grocers, retailers and country store owners most affected by out-of-control swipe fees, while addressing legitimate concerns of the industry," Rep. Peter Welch (D-Vt.) wrote in an e-mail.

The Senate amendment, approved last month on a 64 to 33 vote, would have regulated the fees associated with debit or prepaid-card purchases. Retailers have said that the fees, which run about 1 or 2 percent, can erase their profit on small transactions.

However, state and local governments that use debit or prepaid cards to distribute unemployment and child support benefits have lobbied against the measure, saying that letting merchants avoid paying swipe fees could translate into higher costs for crucial social programs.

The compromise version of the amendment seeks to address those concerns by exempting federal, state and local government debit and prepaid cards from new swipe fee rules. Congressional aides said the changes could save the federal government \$40 million a year.

The latest proposal drew protests from the financial industry. "The carve-outs made for government-run programs underscore our concerns about the harmful impact of this legislation to all card users," said National Association of Federal Credit Unions President Fred Becker in an e-mail. "In its current form, this legislation would still put credit unions at a severe

disadvantage compared to large credit card issuers."

House leaders plan to offer the amendment to their Senate counterparts on Tuesday when the conference committee meets to continue negotiations on a final version of the regulatory overhaul.