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OF COLORADO
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March 2, 2026

Senator Lindstedt and Senator Jodeh,

On behalf of the members of the Independent Community Bankers of Colorado, we write today in opposition to the draft interchange legislation which is expected to be introduced this week. The legislation proposes to ban interchange fees to all merchants small and large on the sales tax portion of credit card and debit card transactions, while purporting to exempt Colorado financial institutions with under $60 billion in assets from that ban.

We appreciate your reaching out to the Colorado based banks and your understanding that community banks are small businesses themselves which would be impacted by the bill by a reduction in income that they rely on to reinvest locally through small business, agricultural, home, education, and other business and consumer loans. We are appreciative of the invitation to explore whether a viable and effective exemption could be created for community banks so that any imposition of an interchange ban would not negatively impact them and their abilities to serve their local communities.

All parties were very well-intentioned and negotiated in good faith, genuinely hoping a solution could be found. However, after extensive research and discussions with industry and technological experts, it is concluded that acceptable exemption language cannot be crafted to create an exemption that would in practice eliminate or avert negative effects on community banks, small businesses and consumers and/or that would withstand legal challenges.

The payment ecosystem is complex, with several parties and fee tranches involved. Network card brands, acquiring banks, issuing banks (and the referral source banks that contractually brand with the issuers), and payment processors all receive fees in each swipe transaction. Interchange fees are only one portion of the fees added to payment transactions, but they are essential to help pay to ensure the security of transactions and guarantee merchants are paid for their goods and services. Issuing financial institutions are particularly impacted because the fees fund their fraud risk and responsibility to combat it, fund loyalty programs that consumers demand, facilitate credit to consumers and small businesses, and community re-investment.

In 2010, the Durbin Amendment to the Dodd-Frank Act was passed that capped interchange fees, while attempting to exempt smaller financial institutions from the cap. Fifteen years later, the negative repercussions of the Amendment are still being felt by every community bank. Exempted institutions still saw a negative impact. In addition, there has been little consumer benefit as retailers failed to pass on any savings they did receive. There is every expectation the same or similar outcomes will occur if the proposed Colorado legislation is enacted.

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Finally, we have serious legal concerns about the proposed bill. Contracts govern every part of the payment system and process. Attempting to legislate a ban on interchange fees or an exemption to a ban, poses interference with contract issues that would likely not withstand legal challenges. Moreover, the Illinois federal pre-emption issues regarding the interchange ban law enacted there are far from over. The case is now under appellate review, and the outcome will have nationwide implications. Enacting a similar law in Colorado will certainly invite immediate legal challenges and significant litigation expenses to the State of Colorado.

Community banks across Colorado support our local restaurants and very much understand the struggles they face. Those restaurants and small businesses are our neighbors and friends and business partners, community banks share the desire for them to thrive and succeed. But this legislation is much, much larger than a local restaurant, it also provides hugely disproportionate financial benefits to very large corporate retailers and out-of-state chains.

This piece of legislation will in fact have a negative impact on business and agriculture lending and the other ways community banks support their communities.

For these reasons, we ask not to move forward with this legislation to impose an interchange fee ban in Colorado.

Thank you,

Michael Van Norstrand
Executive Director

CC: Colorado State Senate

Speaker McCluskie

Majority Leader Duran

Governor Jared Polis