

Credit Card Fees

Push for Transparency and Fair Merchant Fees

Credit card fees are an escalating burden for LBM businesses and have a direct impact on affordability in the construction industry. With swipe fees ranging from **1.15% to 4.35%** per transaction, depending on the card type and merchant category, small businesses in our sector face disproportionate challenges. Large corporations and big-box chains can negotiate lower rates due to their transaction volumes, leaving small, independently owned businesses at a disadvantage.

For many LBM businesses, credit card processing fees now rank as the **third-largest monthly operating cost**, following labor and rent. In 2023, U.S. merchants paid **\$172 billion** in swipe fees—up sharply from **\$51.5 billion in 2012**—with Visa and Mastercard alone accounting for more than **\$100 billion** at an average rate of **2.26%** per transaction. When combined with other non-transparent costs, such as **interchange fees** and **assessment fees**, these charges often eat up **4% or more of a business's annual revenue**.

This problem has a cascading effect throughout the supply chain:

- **Builders:** LBM retailers must raise the prices of building materials to account for these fees, directly increasing project costs for builders and contractors.
- **Homebuyers and Consumers:** As building material prices rise, so do the costs of home construction and renovations, creating significant affordability challenges for consumers.

With approximately **50% of industry transactions now processed via credit cards**, these fees are creating a ripple effect that impacts every link in the construction chain. This is particularly concerning given the urgent need for more affordable housing across the country.

Adding to the challenge is the lack of transparency and flexibility surrounding these fees. While businesses can shop for lower rates among processing providers, **interchange fees**—set by the card networks—and **assessment fees**—charged by the card brands—are non-negotiable. In many cases, **interchange fees** lack transparency because they are simply added to statements without explanations of their cost or details about the transactions they are tied to. This often leaves small businesses unable to track or understand how these fees are calculated, complicating their efforts to manage costs.

ABMA's Call to Action: ABMA advocates for greater transparency and fairer practices in credit card fee structures. By addressing these issues, policymakers can:

- Help **lower the cost of building materials**, ensuring builders and contractors can complete projects more affordably.
- **Improve housing affordability**, benefitting consumers and communities nationwide.
- Create a more equitable system for small businesses, allowing them to reinvest in their operations and workforce instead of shouldering disproportionate financial burdens.

In an industry where every dollar counts, addressing swipe fees, interchange fees, and assessment fees is critical to supporting the LBM sector and the broader housing market. Policymakers must take action to ensure a fair playing field and to keep essential materials affordable for everyone.

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