

Proposal: 1818(AG67) Debit Card Interchange Fees and Routing

Description:

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Comment ID: 159600

From: Philip Carroll

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Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Secretary Misback,

I am writing to express my concerns regarding the Federal Reserve's proposed rule to amend Regulation II and the current debit interchange fee schedule.

I work for Wright-Patt Credit Union, who will likely be Ohio's first CU to surpass \$10B in assets, and the impact from this change would likely be incredibly detrimental to our ability as an organization to make positive impacts in the financial wellbeing of Ohioans.

As an exempt institution, due to being under \$10 Billion in assets under the proposal, I still want to voice my concern that these proposed changes to the interchange fee cap, if enacted, would indeed impact my credit union. Studies continue to demonstrate that the original Durbin Amendment did not result in lower consumer prices, and that government-mandated interchange price caps disproportionately harm local, community financial institutions. It will change the framework of the interchange fee structure which will have a wide ranging ripple outcome affecting all financial institutions, regardless of size. As a credit union leader committed to serving my community, I believe these changes will adversely impact not only my credit union's operations but also its members who rely on us for affordable and secure financial services.

Specifically, without adequate time to study the potential effects of this proposal, my concern is that this proposal is likely to:

**Impact on Revenue and Services:** Cards, compliance, and cybersecurity all have a cost, paid for by interchange revenue. Additionally, interchange is vital to sustaining various low-cost and free services that we offer to members, many of whom belong to underserved communities. A reduction in this revenue stream may force us to reconsider the affordability of these services, directly impacting our members' financial well-being.

**Present Operational Challenges for Smaller Institutions:** While the proposal is based on decade old data from large debit card issuers, it does not adequately consider the unique cost structures and operational challenges faced by smaller, cooperatively owned institutions like mine. Many credit unions would not be able to recover our card issuance costs, given the amount of investment and ongoing costs required for card fraud technology, dispute processing and resolution of fraud and non-fraud claims, risk mitigation, core and digital banking debit card technology, plastic and digital issuance, cardholder call center support, and cybersecurity.

**Inhibit Competition and Choice in Financial Services:** Credit unions play a vital role in providing competition, offering consumers more choices for their banking needs at affordable rates to ensure financial stability and wellbeing. Lower interchange fees could disproportionately affect smaller institutions like credit unions, potentially reducing the competitive landscape in the financial services industry.

Be Detrimental to Financial Inclusion Efforts: Credit unions are known for their role in promoting financial inclusion, especially in communities underserved by traditional banking institutions. The proposed changes could impede my credit union's ability to reach and serve these communities effectively by offering equitable yield products, lower loan rates, minimal fees, and security features, ultimately undermining our mission and efforts towards greater financial inclusion.

Additionally, I have serious concerns regarding the Federal Reserve's unilateral granting of authority to adjust the interchange cap bi-annually. This potential violation of 5 U.S.C. 553(b) represents a stark deviation from agency public commentary requirements. Moreover, the idea that the Federal Reserve considers future public comment to be "impractical" is concerning. Without the ability for industry to comment on proposed changes, there is little opportunity to ensure appropriate analysis and data sets are used to determine the adjustment needed and its potential impact.

While I understand the intent to keep interchange fees reasonable and proportional, it is critical to consider the broader impact on smaller financial institutions like credit unions and, by extension, on the communities my credit union serves. I urge the Board to rescind this proposal until an adequate study assessing the proposal's impact on consumers' access to low-cost or free checking accounts, fraud prevention, and merchants' costs of accepting debit cards can be conducted.

I appreciate the opportunity to engage with the Federal Reserve and provide comments on this proposed rule; however, I respectfully write in opposition to this rule.

Sincerely,

Philip Carroll  
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