

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

Description:

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Comment ID: 159993

From: New England Federal Credit Union, John Dwyer

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Comments:

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Good morning,

As the CEO of the New England Federal Credit Union, it is important to express our significant concerns regarding the Federal Reserve's proposed rule that will impact debit interchange rates for all institutions. NEFCU is a relatively small credit union with 85% of our members living and working in the state of Vermont. We provide services to over 160,000 members with over 30,000 debit cards in use by those members. The services we provide will be impacted by any regulatory changes that result in lower interchange revenue for the credit union.

My goal here is to point out:

- \* The basis for the Fed's lowering of interchange does not accurately represent the significant costs to deliver these services to members, ensure payment to merchants, and cover the fraud associated with these services to our members. The level of fraud that we experience has continued to increase every year, not just based on overall volume.
- \* All credit unions face constant pressure to balance where we can generate revenue with our goals of providing value to members. If interchange revenue is lowered than our members will experience increases in other fees or modifications to interest rates, we offer. It is that simple and straightforward.
- \* By providing a benefit to big box retailers the Federal Reserve will shift costs to consumers as it has been proven that the retailers will not pass on these lower interchange costs to consumers.
- \* Prior legislation and regulation impacting interchange has demonstrated that "exempt" issuers are also impacted. The market dynamics have proven that "scale" differentiators are not effective in protecting smaller issuers like NEFCU. We have experienced rate declines over time.

Again, we are very concerned that these modifications to Reg II are not based on accurate analysis, will not help consumers, and most importantly will shift costs to consumers in different ways. The result is simply a benefit to big box retailers.

Thank you for your consideration,

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