

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

Description:

Comment ID: 160123

From: Kinecta Federal Credit Union, Marsha Mathias

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

Comments:

NONCONFIDENTIAL // EXTERNAL

Ann E. Misback, Secretary

Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue,

NW Washington, DC 20551

Via e-mail: regs.comments@federalreserve.gov

RE: Docket Number RIN 7100-AF, Debit Card Interchange Fees and Routing - Comment Letter
May 10, 2024

Kinecta Federal Credit Union is a \$6.8 billion credit union headquartered in Manhattan Beach, California. On behalf of our 260,785 members, we thank the Federal Reserve Board of Governors for the opportunity to comment on the Federal Reserve's Notice of Proposed Rulemaking regarding Regulation II - Debit Card Interchange Fees and Routing.

Our focus is to understand our members' challenges and to offer solutions that improve their lives. In this case, our members want to know they can safely use their debit cards, and they want fast recovery of their funds should their card be compromised.

The proposed changes will reduce debit card interchange fees for credit unions and negatively impact our ability to recover our card issuance costs including ongoing costs required for card fraud technology, dispute resolution, risk mitigation, core and online banking debit card technology, plastic and digital issuance, and cybersecurity - all necessary in order to operate as a debit card issuer in a safe and sound manner.

In 2010, when lawmakers passed the Durbin Amendment as part of the Dodd-Frank Act, the Amendment established an artificial price cap, determined by the Federal Reserve, on the interchange fees merchants pay for the convenience of accepting debit cards. It also established new network routing requirements for debit cards. The last decade under the Durbin Amendment has shown that consumers receive no savings from lower routing costs for merchants and are indeed harmed by reduced network quality and security and diminished consumer protections and benefits.

A 2015 survey conducted by the Richmond Federal Reserve found the Durbin amendment did little to lower costs for consumers and merchants. Just 1.2% of the surveyed merchants reduced prices, and 11.1% said their debit card processing costs declined. Nearly one-third of respondents reported even higher debit card swipe fees, according to the survey.

The proposition of reducing the interchange rate further could cause many credit unions to pass the necessary additional costs to our members or by severely reducing access to safe debit card use. Kinecta opposes any efforts to reduce the debit interchange rate. We urge the Federal Reserve Board to consider the disparaging effects such a move would have on credit unions and the communities they serve. We urge you to thoughtfully reconsider this proposed adjustment.

Thank you.

Marsha Mathias

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