



February 15, 2024

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitutional Avenue NW Washington, DC 20551

Re: Docket No. R-1818, RIN 7100-AG-67
Re: Notice of Proposed Rulemaking; Debit Card Interchange Fees and Routing

Dear Secretary Misback:

On behalf of Combined Employees Credit Union, I am writing to oppose the Federal Reserve's proposed changes to Regulation II that establish new standards for assessing the amount of interchange fees received by debit card issuers.

Combined Employees Credit Union (CECU) was chartered in 1969 to service the City of Warner Robins Employees with savings and loan products. Over the years CECU has added other Select Employee Groups (SEG) and offered those members the same savings and loan options. CECU recently opened its membership to anyone that lives or works in our county. We have come to realize that our credit union needs to add other services like checking and debit cards to compete with other financial institutions in our area. Our concern right now is the size of CECU at \$15.5M and the potential risk of offering these new services. The ability to earn interchange income will help budget for fraud losses for these products. However, if the income is drastically reduced, then there may be negative financial ramifications for CECU offering the new services.

Small credit unions are needed in this time of big banks and big credit unions. It's gratifying for us in that CECU reaches down deeper to help members that other financial institutions don't care to serve. CECU is a LID credit union. What better institution to serve the underserve than CECU! We truly care for our members and try to live up to the motto, "Helping Members Afford Life".

CECU continues to play a critical role in helping consumers achieve their financial goals, empowering members from all walks of life, and growing and advancing local communities. This proposal will significantly harm that mission.

Consumer and Member Impacts

These proposed changes to Regulation II will not only adversely impact our members, but they will also make it increasingly difficult for all credit unions to offer affordable financial tools that Americans rely on to purchase essential everyday items like food and gas. In 2011, the Durbin Amendment was passed targeting debit card interchange fees with the promise that it would curtail the number of fees consumers paid when utilizing their cards. A subsequent report published by the Richmond Fed pointed out that 98% of merchants did not pass along those savings to customers. Increasingly, merchants are charging consumers surcharges for payments made using credit cards. Additionally, more than 20% of merchants increased their prices and many popular debit card rewards programs were severely scaled back. Those changes hurt American consumers of all income levels, but especially those who rely on rewards to stretch their monthly budget.

Small Business Impacts

While this proposal is aimed at financial institutions with assets over \$10B, it fails to consider the unique challenges and varied business models that smaller institutions utilize to operate in an efficient manner to best serve communities. Overall, larger credit unions typically absorb higher transaction costs due to lower processing volumes. These broad-brush stroke changes to laws and regulations seem to overlook the enormous impact that they have on the smaller credit union like ours. As a State Chartered credit union in Georgia, I have been fighting for two years to get relief from such a broad brushed law that was passed to limit the loans that I can make to members. We are a "CREDIT" union! We make loans! It's in our name! Examiners come in and cite you for low income and that you have to improve income. Well, our main source of income is from lending! And a law is passed to limit that? I ask that a more granular look goes into this than just a high-level overpass of the proposed rule.

According to the Federal Reserve's own research, "In 2019, the average ACS cost for mid-volume issuers was over three times higher than the cost for high volume issuers, whereas the cost for low volume issuers was more than 20 times higher than the cost for high-volume issuers." Small credit unions are experiencing this regularly and rely primarily on non-interest income to fund fraud related expenses and mitigation, keep the cost of banking low, and provide affordable access to credit. The proposed changes do not address these discrepancies. The potential for market distortion that could arise from the changes would be felt by all financial institutions – regardless of asset size.

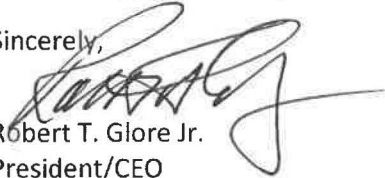
Revenue Impacts

Changing the interchange cap, in this era of increased interest rates, increased inflation, and soaring levels of fraud, will likely introduce uncertainty and less competition in the market, making it more challenging for businesses and consumers to plan long-term financial strategies. Stability in the payment system is crucial for stoking America's economic engine and creating stable financial footing for families. We recommend that the Board carefully consider the probability of unforeseen ripple effects and unintended outcomes that could arise from altering the existing regulatory framework.

In Conclusion

CECU appreciates the Board's focus on interchange and the opportunity to provide comments on behalf of our members. However, we strongly encourage the Board to immediately reconsider this proposal and engage in deeper discussions with financial institutions across the nation to find a better and more balanced approach that protects consumers.

Sincerely,



Robert T. Glore Jr.

President/CEO

Combined Employees Credit Union