



March 12, 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 Tampa Bay Federal Credit Union, I am writing to express our concern regarding the Federal Reserve's proposed updates to Regulation II, which aims to revise the framework for calculating the interchange fees received by debit card issuers. Serving the southeastern United States, Tampa Bay Federal Credit Union is proud to support over 35,000 members. As a community development financial institution, we are deeply committed to reinvesting in our communities—evidenced by our allocation of over 73% of our services in 2023 to individuals with low to moderate incomes, enhancing their access to essential financial resources.

Our credit union is dedicated to serving populations that are often overlooked by traditional banks, particularly individuals with limited financial means. Operating as a not-for-profit entity, we prioritize the financial well-being of our members above profit generation. Reduced interchange fees would challenge our ability to invest in community development, provide vital financial education, and maintain the personal, member-focused approach that defines our service. At Tampa Bay Federal, we champion the principle that financial services, education, and stability should be accessible to all, irrespective of their economic status or location. Credit unions like ours play a crucial role in advancing financial inclusion, supporting members from diverse backgrounds, and nurturing local communities. The proposed changes threaten to impede our mission by limiting the resources we can dedicate to these essential activities.

### **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, credit unions like ours typically absorb higher transaction costs due to lower processing volumes. 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.

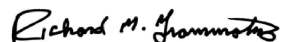
### **Revenue Impacts**

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**

Tampa Bay Federal Credit Union 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 and studies with financial institutions across the nation to find a better and more balanced approach that protects consumers.

Sincerely,



Richard M. Grammatica  
Tampa Bay Federal Credit Union