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May 8, 2024

Chairman Jerome H. Powell or Appropriate Designee

Federal Reserve Board

20th Street and Constitution Avenue NW

Washington, DC 20551

Re: Proposed Rule [Docket No. R-1818]

Dear Chairman Powell or Appropriate Designee,

I am writing to express my deep concerns regarding the proposed rule that would further regulate debit interchange fees. As a Low-Income Designated Credit Union, we believe that the suggested amendments to Regulation II could significantly harm not only our credit union but also countless others and their members across the nation.

The proposed rule aimed at regulating debit interchange fees has sparked significant concerns within the credit union community, with many fearing that the amendments to Regulation II could have detrimental effects on both credit unions and their members nationwide. There is a growing sentiment that the rule may unfairly benefit big box retailers and merchants at the expense of credit unions, potentially leading to a decrease in free and low-cost accounts for consumers. Past experiences with fee cap reductions have shown that consumers often end up bearing the brunt of revenue losses through increased costs, a trend that could potentially continue with the proposed reduction in interchange fees.

Moreover, the impact of the rule on exempt issuers, particularly smaller credit unions with assets below \$10 billion, has not been adequately taken into account. Historical data indicates that even exempt issuers have

suffered when interchange rates were reduced for larger institutions. The transaction-weighted methodology proposed by the Federal Reserve has raised concerns as it may unfairly penalize credit unions and hinder their ability to recover costs, adding to the existing challenges faced by credit unions in a regulatory environment that already puts pressure on fee income and requires increased spending to combat debit fraud. This complex landscape underscores the importance of carefully considering the implications of any regulatory changes on all stakeholders involved.

Credit unions have long been champions of financial inclusion and community development. By actively reinvesting in the areas they serve, they not only provide essential financial services but also support local projects and programs that benefit the community at large. Interchange fees, while often overlooked, are a crucial source of revenue for credit unions, enabling them to continue their mission of providing affordable credit access to Main Street businesses and low-income communities.

It is troubling to hear that a potential decrease in interchange fees could impact the ability of credit unions to offer grants and scholarships to those in need. These financial resources are not just handouts but rather opportunities for individuals and businesses to thrive and succeed. Small business owners, in particular, rely on credit unions for credit cards and capital to grow their ventures, which in turn stimulates economic activity and creates jobs in the community.

The proposed reduction in the interchange fee cap poses a significant challenge for credit unions. The financial strain that this could cause may lead to the closure of low-income credit unions, further exacerbating financial exclusion in marginalized communities. This could have a ripple effect, impacting not only credit unions and their members but also all debit card issuers, including those exempted under \$10 billion in total assets.

It is essential for policymakers to consider the broader implications of any changes to interchange fees and to ensure that the financial health of credit unions and the communities they serve is protected. By supporting credit unions, we are not just supporting financial institutions but investing in the well-being and prosperity of our communities as a whole.

In conclusion, I urge the Federal Reserve to reconsider the proposed rule and its potential consequences for credit unions and their members. It is essential to prioritize the financial well-being of consumers and communities over the interests of large merchants. Thank you for considering my comments.

Sincerely,



Ashley Loftus
Chief Financial Officer
Wasatch Peaks Credit Union
Ogden, Utah