



May 10, 2024

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: Regulation II; Docket No. R-1818

Dear Board of Governors of the Federal Reserve System,

Thank you for the opportunity to comment on the proposed changes to Regulation II: Debit Card Interchange Fees and Routing [R-1818]. We write to express our opposition to the proposed changes.

Landmark Credit Union is a not-for-profit state-chartered credit union with headquarters in Brookfield, Wisconsin. We serve 389,000+ members, employ 1,035 associates, and have 35 branches throughout southeastern Wisconsin. At \$6.5 billion in asset size, we are considered Exempt under the current rules, however we would like to express our concern to the proposed rule changes. We encourage the Board of Governors to reconsider its proposal to reduce interchange caps. We are concerned that a decrease in debit interchange caps will affect all issuers, including Exempt, and that merchants will not pass along savings to consumers. Interchange revenue is vital for issuers to support debit card functionality beyond transaction processing. Additionally, further reductions in interchange caps would exacerbate the unintended consequences for unbanked and underbanked populations.

- We are concerned that interchange revenue will decrease for all issuers, including Exempt issuers. As an Exempt issuer, we have seen our interchange rates decrease since the Durbin Amendment has passed. The proposed adjustments to interchange caps will put further downward pressure on interchange rate environment for all issuers.
- The objective of this legislation was to lower merchants' costs of accepting debit cards and to pass along the savings to consumers via lower retail prices.¹ Consumers have not realized

¹ Renee Haltom and Zhu Wang. (2015, December). No. 15-12. "Did the Durbin Amendment Reduce Merchant Costs? Evidence from Survey Results". Federal Reserve Bank of Richmond. https://www.richmondfed.org/-/media/richmondfedorg/publications/research/economic_brief/2015/pdf/eb_15-12.pdf

the savings intended by this regulation. This is evidenced by studies conducted by The Federal Reserve Bank of Richmond² and The University of Pennsylvania Carey Law School³.

- Interchange revenue is necessary to support debit card programs beyond the cost of transaction processing. Many important costs were examined, however additional costs including card production and delivery, online banking technology, dispute resolution, risk and compliance management, and cybersecurity should also be considered.
- There have been unintended consequences from the Durbin Amendment including, an increase in underbanked, reduction of free checking products, increase in minimum required deposits, fewer banking options for rural and low-income communities, depressed growth and consolidation of community credit unions and banks.⁴ Further action to reduce interchange rates would exacerbate these issues.

We thank the Board of Governors of the Federal Reserve System for the opportunity to provide comment on Reg II and the proposed changes to Debit Interchange Cap.

Thank you for your consideration,

Mark Kennedy
Chief Lending Officer
Landmark Credit Union

² Renee Haltom and Zhu Wang. (2015, December). No. 15-12. "Did the Durbin Amendment Reduce Merchant Costs? Evidence from Survey Results". Federal Reserve Bank of Richmond. https://www.richmondfed.org/-/media/richmondfedorg/publications/research/economic_brief/2015/pdf/eb_15-12.pdf

³ Mukharlyamov, Vladimir and Sarin, Natasha. (2019). "The Impact of the Durbin Amendment on Banks, Merchants, and Consumers". All Faculty Scholarship. 2046. The University of Pennsylvania Carey Law School, https://scholarship.law.upenn.edu/faculty_scholarship/2046

⁴ Glenn Grossman. (2023, June). "The True Impact of Interchange Regulation: How Government Price Controls Increase Consumer Costs and Reduce Security". Cornerstone Advisors, CUNA. <https://www.cuna.org/content/dam/cuna/advocacy/priorities/documents/True-Impact-of-Interchange-Regulation-CornerstoneAdvisors-June-2023.pdf>