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

RE: Debit Card Interchange Fees and Routing
(Docket No. R-1818; RIN: 7100-AG67)

Dear Sir or Madam:

On behalf of Chartway Federal Credit Union ("Chartway"), I am writing to you regarding the proposed amendments to Regulation II issued by the Board of Governors of the Federal Reserve System ("Board"). Chartway would like to thank the Board for the opportunity to comment on the proposed amendments. As a federally chartered credit union with \$2.9 billion in assets and 230,000 members, Chartway has significant concerns over the potential impact of the proposed rule and respectfully requests the Board to reconsider.

The proposed changes will impact all debit card issuers, including exempt credit unions, because we will face competitive and pricing pressure from the financial institutions that are covered issuers under the amendments. The Board's historical data specifically demonstrates the negative impact the initial introduction of the fee cap had on exempt issuer debit interchange revenue. Any further reduction in the fee cap will further exacerbate these negative impacts.

Credit unions, as non-profit financial cooperatives, rely on interchange fee revenue to support the communities and members they serve. Due to our not-for-profit structure, we are less able to absorb reductions in interchange revenue. Interchange fees are a source of revenue that directly support Chartway's dedication to serving the underserved through providing affordable access to credit and returning savings and benefits to our members through products and services, including our debit card program. The cap adjustment will likely impact the costs of operating our debit card program and may result in an inability to recover card issuance costs. Debit card issuance expenses required to operate in a safe and sound manner are not decreasing as these expenses include those related to fraud mitigation, core and online banking, card issuance, and cybersecurity. Operating any program at a loss is not sustainable and may require passing through costs to members, making banking products more expensive. As a result, Chartway's ability to provide low or no cost banking services that support financial inclusion, low-income communities, and small businesses will be hindered.

While the Board acknowledges that fraud-prevention costs have risen, the proposal adopts a limited fraud prevention adjustment. The fraud prevention and mitigation costs are

significantly increasing. The proposal denies the ability to fully recover the costs for actual fraud losses for half of covered issuers. This will inevitably impact exempt issuers, including Chartway, putting greater strain on revenue with a limited ability to achieve scale and resulting in further industry consolidation. It is important to note that in its consideration of the issuer fraud losses and fraud-prevention costs, the Board only considered data collected from large debit card issuers. Given the significant impact the proposed amendments will have on card issuers with assets of less than \$10 billion, any fee cap determination should include an in-depth analysis of the impacts of every financial institution, including those under \$10 billion in assets.

The proposed amendments to Regulation II have considerable implications for credit unions, including Chartway, and our efforts to support the communities and members which we serve. As such, we strongly urge you to withdraw the proposed rule. Thank you for the opportunity to comment.

Sincerely,



Brian T. Schools
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Chartway Federal Credit Union