



May 10, 2024

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

RE: Notice of proposed rulemaking on Regulation II; Docket No. R-1818, RI 7100-AG67

Dear Ms. Misback:

I am writing on behalf of Founders Federal Credit Union (Founders) to comment on the Notice of Proposed Rulemaking (NPRM) to amend Regulation II (Reg II) issued by the Board of Governors of the Federal Reserve System (Board). The Board should not amend Reg II as proposed in the NPRM as it will have a negative effect on all financial institutions and consumers.

The Founders Difference began in 1950 when a group of Springs Mills employees decided to do something to protect their colleagues from predatory loan sharks and money men and improve the financial wellbeing of their neighbors. Springmaid Credit Union expanded throughout the tri-county area, helping our member-owners and their families save and borrow their way to financial security. Seventy years and a name change later, Founders Federal Credit Union is still proudly carrying on the tradition of looking out for our neighbors and working every day to ensure our communities are healthy and strong. Founders serves over 264,000 members through more than 41 locations across two states and holds over \$4.7 billion in assets.

We are submitting these comments regarding Reg II in the best interests of our field of membership, as we are a member-owned, not-for-profit organization governed by a volunteer board of directors. Our mission is to serve the underserved by meeting the credit and savings needs of individuals of modest means and their communities. I have detailed our issues with this proposal below:

- This reduction and decreased cap for interchange fees will force the costs of business to be passed on to the members or our overall fees will have to be raised.
- The target level chosen by the Board is completely arbitrary.
- The automatic updating of the interchange fee cap would adversely affect insurers.

- A substantial change to the interchange cap without seeking comments is in violation of the Administrative Procedure Act.

Evidence to further support our concerns on the issues above are the failures of the First Durbin Amendment and studies conducted both at Yale University and Boston College.

- The First Durbin Amendment capped the interchange fees paid by merchants to cover the cost of processing debit transactions. It was expected to lower merchant interchange expenses to pass through to consumers in the form of lower retail prices. It did not cap the merchant discount rate and merchants did not receive all the cost savings that would have come from a cap on merchant discount fees.
- A study conducted at Yale University determined that the number of free checking accounts was greatly reduced and the checking account fees increased monthly.
- A separate study conducted at Boston College showed that the interchange cap cost consumers more.

Debit interchange income is a significant component of Founders' overall gross income. The recently proposed Regulation II Debit Rate Reduction would lower this income, putting stress on Founders' ability to service its members with desirable rates and lower fees. We are submitting these comments to make the Board aware of the harm this rate reduction has caused since being implemented and the additional harm that will result from enacting the NPRM.

As a Mastercard debit and credit card-issuing financial institution Founders is requesting that the Board withdraw the proposal.

If you have any questions regarding our comments, please contact the undersigned at 803-289-5133 or andy.cook@foundersfcu.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andy Cook', with a long horizontal flourish extending to the right.

Andy Cook
Senior Vice President - Legal