



Submitted electronically via www.regulations.gov

May 10, 2024

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

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

Dear Secretary Misback,

Elevations Credit Union (ECU) submits the following comments in response to the Board of Governors of the Federal Reserve System request for comments on the Notice of Proposed Rulemaking regarding Debit Card Interchange Fees and Routing. ECU joins the trade organizations representing a broad coalition of federally regulated financial institutions, including community banks, credit unions, and military financial institutions who are concerned about regulatory actions impacting the sustainability and affordability of core deposit account services. In addition, ECU echoes the statement from The Bank Policy Institute, Consumer Bankers Association and The Clearing House:

The last time the Federal Reserve placed a cap on debit transaction costs, two things happened: the availability of free checking accounts declined and merchants pocketed the difference in cost, defaulting on their promise to the American consumer to lower costs at the counter. Attempting to revisit the failed policy in a world where technology and fraud prevention costs are even higher will exacerbate these problems and further harm consumers.

As a concerned stakeholder and advocate for the interests of financial institutions, we believe that the implementation of this proposed rule will have severe negative impacts on the industry and its ability to serve the public effectively. The proposed interchange cap change presents several challenges that could undermine the stability and viability of financial institutions, with detrimental effects on consumers and the broader economy. Our concerns are outlined below:

Negative Impact on Fraud Prevention and Coverage

Debit interchange fees are crucial in the payment ecosystem as they help offset the expenses typically shouldered by financial institutions as debit card issuers in providing fraud prevention and detection services, particularly in managing and mitigating debit card fraud, which has surged in recent years. The income derived from the interchange fees enables card issuers to invest in and maintain vital security measures and fraud prevention systems, safeguarding both their operations and their customers' financial assets.

Revenue Reduction for Financial Institutions:

The proposed interchange cap threatens to substantially reduce the revenue generated by financial institutions, particularly smaller community banks and credit unions. This reduction in revenue will disproportionately impact those smaller financial institutions and likely hinder their ability to invest in current technology, offer competitive interest rates, and provide essential financial services to underserved communities.



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Impact on Innovation and Technology Investments:

Financial institutions heavily depend on revenue generated from interchange fees to fund innovation and ongoing technology enhancements. The proposed cap will impede these institutions' ability to invest in competitive technology and remain commercially sustainable, ultimately reducing their ability to remain competitive and attractive to consumers in an increasingly digital financial landscape.

Potential for Increased Fees on Consumers:

In response to the revenue shortfall caused by the proposed cap, financial institutions may be forced to pass on costs to consumers in the form of increased fees for various services. This would disproportionately affect low and moderate-income individuals who rely on affordable financial services.

Reduced Ability to Offer Rewards and Benefits:

Many financial institutions use interchange fee revenue to fund rewards programs and benefits for their customers. The proposed cap could lead to a reduction or elimination of these programs, negatively impacting consumers who rely on such incentives for their financial well-being.

Negative Impact on Small Businesses:

Small businesses often rely on financial institutions for access to affordable payment processing services. The proposed cap may result in increased costs for these services, putting additional financial strain on small businesses already grappling with economic challenges.

In light of these concerns, ECU strongly urges the Federal Reserve Board to reconsider the proposed Interchange Cap Change Proposal. Instead, we recommend a comprehensive analysis of the potential unintended consequences and collaborative efforts with industry stakeholders to develop a more balanced approach that considers the interests of both financial institutions and consumers.

Sincerely,

- signature redacted for electronic publication -

Ray Lindley
Chief Operating Officer
Elevations Credit Union