Truliant Federal Credit Union
3200 Truliant Way
Winston-Salem, NC 27103
800-822-0382 | Truliant.org

TRULIANT
Federal Credit Union

May 12, 2024

Ms. Ann E. Misback
Board of Governors of the Federal Reserve System
20th Street and Constitutional Avenue NW
Washington, DC 20551
Regs.comments@federalreserve.gov

Re: Notice of Proposed Rulemaking: Debit Card Interchange Fees and Routing (Docket No. R-1818, RIN 7100-AG67)

Dear Ms. Misback:

On behalf of Truliant Federal Credit Union, a low-income, Community Development Financial Institution (CDFI) serving 340,000 members, I would like to provide an official comment on the proposal by the Federal Reserve to update the three components of Regulations II's interchange fee cap, update the interchange fee cap every other year going forward, and to implement technical revision to the regulation. For the reasons noted below, we respectfully request that the Federal Reserve Board of Governors (Board) withdraw the proposed rule as this will threaten the important work we have undertaken to expand access to safe and affordable financial services:

This proposal lines the pockets of big box retailers and merchants while harming credit unions and their member-owners. Research and history have shown that following the introduction of the current fee cap, the availability of free and low-cost accounts for consumers declined while merchants saved money. Further reducing the fee cap and by extension debit interchange revenue, will only exacerbate these issues.

This directly impacts consumers. The Electronic Fund Transfer Act (EFTA) requires the Federal Reserve to consider the impact of its regulations on consumers, and research shows that consumers were harmed when the debit interchange fee cap was introduced in 2011 as costs were passed on by issuers. Similar harm is likely to occur if the Federal Reserve reduces the fee cap as proposed.

This affects credit unions of all asset sizes. The Board has not adequately considered the impact of its proposal on exempt issuers – credit unions that have assets of less than $10 billion. The Federal Reserve's data along with research examining the initial effects of the 2011, fee cap show that even smaller, exempt issuers were harmed when debit interchange rates were reduced for larger issuers.

The Federal Reserve's transaction-weighted methodology is flawed. Credit unions that lack scale would be unfairly penalized, as would many other issuers denied full recovery of their costs.

Regulatory pressure on sources of fee income and the high cost of growing debit fraud will put additional pressure on credit unions. We believe this will force credit unions to consolidate or eliminate critical programs that low and moderate-income populations rely on to end a cycle of debt and reach their financial goals.

We also believe this change will further reduce revenue used to facilitate payments, secure payment systems and address fraud. For Truliant, we have seen a significant increase in fraudulent activity affecting our debit and credit card services. In fact, our losses associated with this activity have risen year to year (2022 – 2023) by over 435% for debit fraud and over 270% for credit card fraud, totaling nearly $3 million in card losses in 2023. While we have increased our operational capacity to combat this type of activity, we are very concerned that the changes to Reg II will increase losses and further threaten our members' financial wellbeing, as well as our ability to serve them with straightforward, affordable financial services which improve their lives.

Thank you for the opportunity to provide comments and for your consideration of our feedback. We strongly urge the Federal Reserve to withdraw the proposal and more deeply consider the impacts of this rule on our membership and the 140 million credit unions members in the United States.

Sincerely,

W. Todd Hall
President/CEO
Truliant Federal Credit Union