



August 2, 2021

Ann Misback
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Ave
Washington, DC 20551

Re: Proposed Changes to Regulation II-Debit Card Interchange Fees and Routing (Docket No. R-1748, RIN 7100-AG15OP-1747)

Dear Ms. Misback:

On behalf of Virginia's credit unions, I am writing to request that the Federal Reserve withdraw the proposed rule on Regulation II for debit card transactions. The Virginia Credit Union League represents the Commonwealth's 110 credit unions which serve 15 million members throughout the state, country, and world. We fully support the following joint statement previously issued by the Credit Union National Association (CUNA), the National Association of Federally Chartered Credit Unions (NAFCU) and the American Bankers Association (ABA):

"The Durbin Amendment has been flawed from the beginning, making it harder for banks and credit unions to serve consumers, causing unintended consequences for financial institutions and failing to deliver on its promise to lower retail prices. The Fed's decision to revisit Reg II risks causing even further consumer harm. The Fed's own study of debit card transactions, both in person and online, shows that merchants and consumers are increasingly benefitting from significant investments in innovation and fraud detection embedded in the nation's payment rails today. By reopening the rules surrounding debit card transactions, the Fed could put the convenience, safety, and security that Americans have come to expect when they use their debit card at risk. We will vigorously oppose any attempt to undermine the payments system at the expense of consumers."

Under the proposed rule, credit unions will incur new compliance costs which are magnified by reductions in income that is needed to offset processing and fraud costs. Different networks and transaction types offer different protections against fraud including charge back rights by the institution to the merchant. Credit unions manage the debit transactions and networks offered to maximize security and reduce fraud risks.

We believe the proposed rule presents significant changes and shifts even more of the compliance burden to financial institutions. Merchants often choose the lowest cost routing option. Extension of the requirement that debit card transactions be able to be processed on at least two unaffiliated payment card networks to card-not-present transactions inherently increases the financial institutions' exposure to fraud.

We have worked with the Federal Reserve to improve payments security and build consumer confidence. The proposed rule takes away our ability to do everything possible to protect consumers. This is particularly true of “PINless” transactions.

When a retailer chooses a debit network and transaction type that lacks security and necessary fraud protection, they bear little responsibility either financially or reputationally. The Virginia Credit Union League argues that the Durbin Amendment which was implemented through Regulation II should be rescinded. The lower prices promised by merchants have never materialized at the check-out counter. Conversely, the loss of revenue by financial institutions has put us in the difficult position of considering abandoning popular services such as free checking. Quite frankly, amending Regulation II to apply to card-not-present transactions is a move in the wrong direction.

Thank you for the opportunity to provide comments.

Sincerely,

A handwritten signature in black ink that reads "Carrie R. Hunt". The signature is written in a cursive, flowing style.

Carrie R. Hunt
President/CEO