GECU
WE'RE WITH YOU

August 11, 2021

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

RE: Comment to the Proposed Amendment to Regulation II
RIN: 7100-AG15; Document Number: 2021-10013

Dear Ms. Misback,

GECU appreciates the opportunity to comment on the proposal issued by the Board of Governors of the Federal Reserve System (Board) regarding amendments to Regulation II. As the largest locally owned state-chartered credit union in El Paso, TX, serving a membership of over 403,600, and with assets greater than $3.5 billion, we commend the Board on providing the opportunity to comment on the requirements under Regulation II, the Durbin Amendment's implementing regulation.

GECU opposes the Durbin Amendment generally as its promise of merchants extending cost saving benefits to consumers has not materialized, but instead has led to a loss of revenue for credit unions. In fact, evidence has shown that merchants have not passed along their savings to customers as intended by the regulation. The resulting efforts of this regulation as a whole has undermined credit unions' interchange income and limits credit unions' ability to offer their members affordable products and services. According to NAFCU the Federal Reserve's 2017 data showed that despite the exemption for institutions under $10 billion, interchange revenue to credit unions and community banks has dropped, with a 22 percent decline in revenue from PIN transactions and a two percent decline in revenue from signature transactions. Moreover, for those not already providing two unaffiliated networks for card-not-present transactions, there will be challenges including costs to become compliant with the proposal which in turn could again negatively impact members.

In contrast to its intended purpose, the proposal would further benefit large retailers who, unlike small businesses, have been provided the opportunity to negotiate lower rates with networks to provide coverage of transactions regulated under Regulation II. This further allows them to choose the lowest cost network further benefiting from the regulation as smaller businesses and credit unions struggle financially to comply.

Main Office: 1225 Airway Blvd. • P.O. Box 20998 • El Paso, TX 79998-0998 • **tel** 915.778.9221 • gecu.com

Additionally, the proposed modification is vague stating in this notice that it may revisit and reopen Regulation II in the future. This leaves additional concerns that renewed advocacy by merchants to further lower the cap on interchange fees may be considered. However, again, the regulation has failed over the many years it has already been implemented to meet its intent to help consumers. Instead of reconsidering the price cap being adjusted to another arbitrary price and causing further harm to small institutions and consumers, we recommend the imposed caps be removed entirely in order to restore some fairness to the interchange system and increase the benefits realized by a greater range of merchants and consumers.

Again, we appreciate the opportunity to comment on this proposal. If you have questions regarding our comments, please contact me at (915) 774-8203.

Sincerely,

Crystal Long
President/CEO

CL: dp