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

Subject: Opposition to Proposed Changes to Regulation II (Docket No. R-1818, RIN 7100-AG67)

Dear Secretary Misback,

I am writing on behalf of Solidarity Community Federal Credit Union to express our strong opposition to the proposed changes to Regulation II concerning debit card interchange fees. As a credit union committed to serving our community, we believe these changes will adversely impact not only our operations but also our members who rely on us for affordable financial services.

1. **Impact on Revenue and Services:** The proposed reduction in interchange fees, specifically the decrease in the base component from 21.0 cents to 14.4 cents and the ad valorem component, will significantly reduce our non-interest income. This income is crucial for sustaining various low-cost and free services that we offer to our members, many of whom belong to underserved communities. A reduction in this revenue stream may force us to reconsider the affordability of these services, directly impacting our members' financial well-being.
2. **Operational Challenges for Smaller Institutions:** While the Federal Reserve Board's proposal is based on data from large debit card issuers, it does not adequately consider the unique cost structures and operational challenges faced by smaller institutions like

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ours. Credit unions often have higher per-transaction costs due to lower volumes, and these proposed changes do not seem to account for this disparity.

3. **Inhibiting Competition and Choice in Financial Services:** Credit unions play a vital role in providing competition to larger banks, offering consumers more choices for their banking needs. Lower interchange fees could disproportionately affect smaller institutions like credit unions, potentially reducing the competitive landscape in the financial services industry.
4. **Potential Increase in Member Fees:** To compensate for the lost revenue, credit unions might have no choice but to increase fees or introduce new charges for services that are currently free or low-cost. This shift would directly affect our members, many of whom choose credit unions for their more favorable fee structures compared to traditional banks.
5. **Detrimental to Financial Inclusion Efforts:** Credit unions are known for their role in promoting financial inclusion, especially in communities underserved by traditional banking institutions. The proposed changes could hamper our ability to reach and serve these communities effectively, undermining efforts towards greater financial inclusion.

While we understand the Board's intent to keep interchange fees reasonable and proportional, it is crucial to consider the broader impact on smaller financial institutions like credit unions and, by extension, on the communities we serve. We urge the Board to reconsider these proposed changes and engage in further dialogue with representatives of credit unions to find a more balanced approach that safeguards the interests of all stakeholders, especially those of the consumers we serve.

Thank you for considering our views on this critical matter. We look forward to the opportunity to discuss this further.

Sincerely,

David Pace

Compliance and Risk Officer

Solidarity Community Federal Credit Union

