



P.O. Box 1229
Herndon, VA 20172-1229

Phone: 703-709-8900
Toll-free: 844-709-8900
Fax: 703-925-5113
Web: nwfcu.org

Dear Secretary Ann E. Misback,

Thank you for the opportunity to comment on the Regulation II: Debit Card Interchange Fees and Routing proposed rule. We hope that you will consider the consequences this rule will have on our organization and other financial institutions with less than \$10 billion in assets.

Northwest Federal Credit Union ("Northwest Federal" or "Credit Union") is approximately \$4.5 billion in assets and serves nearly 300,000 members as a not-for-profit organization. Our mission is to create quality financial relationships by providing valuable financial products and service that exceed members' expectations. Northwest Federal is dedicated to transforming the lives of our members and our communities.

Northwest Federal opposes the Federal Reserve Board's proposal to lower the maximum interchange fee for large debit card issuers. While the Credit Union is "exempt" under the proposed rule, it will experience a trickledown effect if finalized. The following list outlines the key effects Northwest Federal will experience if the rule is adopted as proposed:

1. **Reduction in Debit Interchange:** Interchange is essential to help support the cost of managing our debit card program. As a result of the proposed reduction in interchange, this will drive market pressure to further reduce interchange for exempt organizations. Card networks may choose to lower their interchange fees for exempt organizations to the levels imposed on the larger institutions to have a consistent methodology or in response to the pressure they receive from large retailers.

The Durbin Amendment – which passed as part of Dodd-Frank Act in 2010 and which first imposed limits on interchange fees for debit cards – trickled down to affect smaller credit unions, even if they were technically exempt from its requirements. Northwest Federal expects this proposed rule to have a similar effect.

2. **Hindrance to Growth and Innovation:** Maintaining a competitive debit card program with the proposed interchange cap is a concern. This could result in many debit card programs running at a loss and a shift in fees to consumers to recoup these costs. This consequence may not be what the Federal Reserve intended, but based on historical events (e.g., Durbin Amendment) this should be expected.

Northwest Federal's 65,000+ debit cardholders would feel the hit as our organization, among all other community-focused credit unions, would need to reconsider current rewards program and member benefits. Banks and credit unions may be forced to discontinue their programs, which would particularly impact their most vulnerable, low-income customers who may not qualify for credit card or alternative products.

In conclusion, Northwest Federal strongly urges the Federal Reserve to reconsider this proposed rule and the long-term impact it will have on small community credit unions and banks and ultimately its most vulnerable members. We thank you for considering our views on this important proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Bentley", is written over a horizontal line. The signature is fluid and cursive.

Jeff Bentley
President / CEO
Northwest Federal Credit Union