



November 9, 2023

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

Via e-mail: regs.comments@federalreserve.gov

RE: Docket Number RIN 7100-AF, Debit Card Interchange Fees and Routing – Comment Letter

Dear Ms. Misback:

Consumers Credit Union is a **\$3.4** billion state-chartered credit union, headquartered in Illinois. On behalf of Consumers Credit Union and our **221,110** members, we would like to thank the Federal Reserve Board of Governors for the opportunity to provide comment on the Federal Reserve's Notice of Proposed Rulemaking regarding Regulation II – Debit Card Interchange Fees and Routing.

As an exempt institution (due to being under **\$10** Billion in Assets) under the Proposed Rulemaking, we still want to voice our concern, as we believe these proposed changes to the interchange fee cap, if enacted, would indeed impact our credit union.

The proposed changes will impact all debit card issuers, including state-chartered credit unions, because as exempt issuers, we will still have the competition and pricing pressure from the financial institutions who are covered issuers under the proposal.

We are concerned about the costs of operating a debit card program if this cap adjustment is imposed. We would not be able to recover our card issuance costs, given the amount of investment and ongoing costs required for card fraud technology, dispute resolution, risk mitigation, core and online banking debit card technology, plastic and digital issuance, and cybersecurity. All of these costs are necessary in order to operate as a debit card issuer in a safe and sound manner.

We believe that credit unions may be forced to operate debit cards at losses, which is unsustainable for our business, or we may be forced to pass costs through to our members through other forms of pricing adjustments. This could make banking products more expensive for the consumer.

Reducing debit interchange income at a time when credit unions are facing the challenges of a prolonged inverted yield curve and an uncertain economic environment is also a concern for earnings and capital, both components of our industry's **CAMELS'** rating framework.



Additionally, adjusting the cap automatically bi-annually in the future does not provide our industry with the ability to comment on adjustments. That automatic approach also does not ensure that the analysis being used to compute the adjustment is relying on correct data.

With the next automatic adjustment anticipated in 2025, this also places further concern on what the interchange income will be for a not-for-profit debit card issuer in an environment where our debit card expenses are rapidly increasing.

There is also the risk that the merchants will not pass savings on to consumers.

We urge you to thoughtfully reconsider this proposed adjustment.

Thank you for the opportunity to comment.

Sincerely,

Sean Rathjen, CEO
Consumers Credit Union