Proposal: 1818(AG67) Debit Card Interchange Fees and Routing

Description:

Comment ID: 159335

From: Mission Federal Credit Union, Doug M. Wright

Proposal: 1818(AG67) Debit Card Interchange Fees and Routing

Subject: 1818(AG67) Debit Card Interchange Fees and Routing

Comments:

Date: May 06, 2024

Proposal: Regulation II: Debit Card Interchange Fees and Routing [R-1818]

Document ID: R-1818

Revision: 1

First name: Doug

Middle initial: M.

Last name: Wright

Affiliation (if any): Mission Federal Credit Union

Affiliation Type: Commercial

Address line 1: 10325 Meanley Drive

Address line 2:

City: San Diego

State: California

Zip: 92131

Country: UNITED STATES

Postal (if outside the U.S.):

Your comment: Dear Federal Reserve Board Governors and Staff: Please accept this letter as an urgent request to reconsider the proposed changes to Reg II impacting the debit interchange fee cap (R-1818). Based on research conducted on the overall impacts of Reg II since 2011, and on this proposed rule-making, the evidence supporting both the need for and the actual recommendations made seems, at best, incomplete and incongruent. In particular, the evidence across the universe of all covered issuers and all issuers does not seem to support any reduction, much less a 31% reduction in the base fee cap. As a leader of an exempt credit union issuer, the true impacts of such regulation will be challenging for us, and by extension, our member-owners. While the rule would not specifically apply to us, historical experience tells us that the rules applying to the largest issuers trickle down to the smaller institutions through the competitive dynamic of the marketplace. The large retailers, who are the biggest beneficiaries of all the Dodd-Frank interchange-related rules, control a majority of the transactions and drive reductions in fees across the industry. Furthermore, several studies, including the Fed's own, show that these savings are not passed on to consumers. Note that this change also comes on the heels of the 2023 changes to debit routing requirements, which also negatively impact the entire industry by reducing interchange income and increasing costs. The net result is a reduction in income for almost all issuers, who are then forced to either compensate by raising fees, rates or costs to consumers in other areas, or face additional pressure on capital levels supporting our future investments in members and the communities we serve. In addition, the analysis presented fails to consider the changing nature of fraud and other costs for all issuers. Fraud and dispute costs, in particular, have been increasing rapidly in the past few years, and are projected to worsen as technology advances further. Again, this will disproportionately impact smaller institutions, who generally have fewer alternatives and resources available to control or compensate for these costs. Based on both the lack of compelling data and the negative impacts on all credit union issuers, I strongly urge a reconsideration of this proposal.

Respectfully,

Doug Wright