



May 9, 2024

Via email: regs.comments@federalreserve.gov

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

RE: Debit Card Interchange Fees and Routing; Docket No. R-1818, RIN 7100-AG67

Dear Secretary Misback:

Digital Federal Credit Union (DCU) appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve (the Board) on its proposal to amend the interchange debit fee cap (Regulation II).

DCU is a not-for-profit, federally-chartered credit union headquartered in Marlborough, MA. DCU serves more than one million members and their families in all fifty states, and is the largest credit union headquartered in New England as measured by assets and is among the top twenty credit unions nationwide.

DCU opposes the Board's efforts to reduce the debit interchange cap, and is concerned that Regulation II as proposed, or any reduction in the debit interchange caps will impact the ability of DCU and other credit unions to continue to offer affordable financial services to our members. The sustainability of DCU's and the entire credit union industry's low-cost and free services is at risk. Unlike many banks, DCU continues to prioritize member value by offering free checking programs, low interest rates on consumer lending products, and low fees, even after exceeding \$10 billion in assets. At our size, the impact of the Durbin Amendment resulted in a loss of approximately \$25 million annually in debit interchange fee income, but we have not changed our mission of helping our members and prioritizing their financial wellbeing. In

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addition, as a credit union focused on member financial wellbeing, our membership base uses debit cards at a significantly higher rate than credit cards, which means any reduction in interchange fees would in turn disproportionately impact DCU as compared to other financial institutions.

Debit interchange fees are crucial to DCU, as they help offset the costs borne by DCU as a debit card issuer, particularly in managing and mitigating debit card fraud which has surged in recent years. These fees enable issuers like DCU to invest in industry-standard, robust security measures and fraud prevention systems, safeguarding our members' assets. Over the last several years, both the prevalence and sophistication of financial fraud has continually increased. This in turn has increased our operational costs, making interchange income vital for maintaining a secure debit issuance service for our members. At big banks, the scale of operations and extensive cybersecurity expertise allows them to invest in and leverage advanced and expensive fraud-prevention technologies. On the other hand, DCU and smaller credit unions are faced with the same challenges but have fewer resources, which would be further exacerbated by reduced interchange revenue.

DCU also urges the Board to support stronger data security standards for merchants and non-depository financial institutions that handle consumer payments. While depository institutions like DCU have had a national standard on data protection since the passage of the Gramm-Leach-Bliley Act (GLBA) over two decades ago, other entities that handle consumer financial data are not held to the same standards. DCU continues to be concerned and financially impacted by merchant data security practices, which directly impact the prevalence of payments fraud. In order to combat the increased likelihood of fraud in transactions with entities that are not subject to the same rigorous oversight and supervision as credit unions, the Board should support stronger data security standards for merchants and payment providers.

Lastly, DCU urges the Board to continue its research and obtain broader and more timely data before implementing any changes to the interchange fee cap, instead of relying on the last debit survey conducted two years ago. As noted above, the acceleration of fraud in recent

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years is an important consideration, and the Board should continue to review additional data, including the most recent 2024 debit survey.

In conclusion, we appreciate the opportunity to provide insights and comments on the Board's proposed changes to the interchange fee cap, and respectfully ask the Board to reconsider the drastic reduction to the cap in order to protect credit unions and our members.

Sincerely,
Digital Federal Credit Union

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