



May 8, 2024

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., N.W.
Washington, DC 20551

RE: Notice of Proposed Rulemaking on Debit Card Interchange Fees and Routing, Request for Public Comment; Regulation II; Docket No. R-1818

Rally Credit Union (RCU) is a not-for-profit financial cooperative with 21 locations serving 8 counties in South Texas. We specialize in providing affordable financial services to those who often have few financial options. As the President & CEO of Rally Credit Union, I write to express our concerns regarding proposed changes to debit interchange price caps and routing (Regulation II). We strongly believe that these changes will increase the cost of financial services and limit low-cost banking options for all consumers, especially for those with poor credit or lower household incomes.

Since implementation in 2011, Regulation II has reduced revenue for financial institutions to the detriment of consumers. When Regulation II was implemented, proponents argued that the interchange fee cap would benefit consumers because merchants would pass through the savings from lower interchange fees via lower prices. In practice, however, the opposite has occurred: over the last 12 years, merchants have reaped more than \$100 billion (and counting) in interchange-related savings, while study after study has demonstrated that consumers are left footing the bill. For example, consumers have experienced a sharp decline in the availability of debit card rewards programs, as well as decreased availability of free checking accounts, higher minimum balance requirements, and higher fees. These effects have disproportionately affected low-income consumers who struggle to meet the more stringent minimum balance requirements, are less able to afford higher fees, and are more likely to be unbanked or underbanked. Two years after the regulation was implemented, researchers at the University of Chicago estimated that the value of losses to consumers fell between \$22 and \$25 billion, a value that has undoubtedly increased by tens if not hundreds of billions of dollars over the ensuing decade.

Further reductions in interchange revenue will certainly result in additional negative consequences to consumers. Not only will product and service pricing increase even more, but fraud risk will also increase. While merchants will have the option of choosing less secure, low-cost routing channels, consumers and financial institutions will bear the monetary cost and disruption of increased card fraud. Investing in robust fraud prevention technology is critical for financial institutions to mitigate fraud losses and stay ahead of fraudsters and their continual evolution. Interchange income is necessary to sustain those technology investments.



We respectfully urge the Federal Reserve Board of Governors to reject all proposed changes to Regulation II, as they are currently written.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads 'Dana Sisk'. The signature is written in a cursive, flowing style.

Dana Sisk, CPA
President / CEO

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