



# CORNERSTONE LEAGUE

Uniting & Inspiring Credit Unions  
to Advance the Greater Good

May 12, 2024

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

Sent Via Email to: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

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

Dear Ms. Misback:

On behalf of Cornerstone Credit Union League [Cornerstone League], I am writing in response to the proposed amendments to Regulation II issued by the Board of Governors of the Federal Reserve System (Board).

Cornerstone League is a regional trade association that represents just shy of 600 state and federally chartered credit unions in Arkansas, Kansas, Missouri, Oklahoma, and Texas. Those 600 credit unions in turn represent nearly 12 million member/owners. Credit unions are not-for-profit member owned financial cooperatives committed to the financial success of the individuals, families, and communities they serve. In addition to battling fraud losses, revenue generated from interchange fees supports community-oriented projects, grants, programs, and affordable access to credit.

Cornerstone League strongly opposes the proposal and any reduction in the debit interchange fee cap. This proposal would line the pockets of big box retailers and merchants while harming credit unions and their member-owners.

### *Summary of Comments*

The proposed amendments to the debit interchange fee cap will harm credit unions and their members. As history has shown, merchants do not pass savings along to the consumer. To the contrary, the proposal will result in many negative impacts to consumers and credit unions, including:

- Increased fees and greater restrictions on free checking and savings accounts among credit unions;
- Pass-through of revenue losses to account holders by decreasing interest rates and savings rates;
- Retention by merchants of regulatory savings to the detriment of consumers;
- Reduced financial capability to support low-income populations and community-oriented initiatives such as grants and scholarships; and,

- Reduction or elimination of debit reward programs among certain covered credit union issuers.

Additionally, the proposal suffers from several critical flaws, such as:

- A skewed methodology for assessing base component costs that fails to give appropriate weight to the cost experience of a majority of covered issuers, especially credit unions;
- An arbitrary cost recovery target that would have prevented a third of covered issuers from fully recovering their base component costs had the amendments applied in 2021;
- A failure to properly consider and analyze the likelihood of negative consumer outcomes, as required by the Electronic Fund Transfer Act (EFTA);
- An unreasonable exclusion of certain allowable costs in the fraud prevention adjustment component; and,
- A failure to account for the full cost of fraud incurred by covered issuers.

To be clear, the proposal would negatively impact credit unions of all sizes, not just those over \$10 billion in assets. We are very concerned that continued regulatory pressure on sources of fee income coupled with the rising costs of debit fraud will force credit unions to merge and/or to reevaluate critical programs that assist low to moderate income populations. As you may be aware, credit unions are less able to absorb reductions in interchange revenue due to their unique non-for-profit structure. As a result, the proposal will result in negative impacts to consumers.

#### *Conclusion*

Cornerstone League appreciates the opportunity to comment on this proposal. We oppose the proposal and urge the Board to withdraw it.

Please feel free to reach out should you have any questions.

Sincerely,

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Cornerstone Credit Union League  
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