



November 18, 2024

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

RE: Regulation II: Debit Card Interchange Fees and Routing

Dear Ms. Misback:

The undersigned organizations urge the Federal Reserve to withdraw its proposed updates to Regulation II. We are concerned that the proposal as written will cause significant harm to consumers across the country, especially those in underserved communities by reducing access to banking services.

Since the initial implementation of Regulation II, consumers' access to free checking accounts has decreased significantly. The percentage of banks offering this benefit to consumers decreased from [60 percent to below 20 percent](#). Additionally, [a 2014 study from George Mason University](#) reported that Regulation II led to an increase in the unbanked population by one million Americans, disproportionately in minority and low-income communities.

Although the rule is targeted at larger institutions, history shows that the caps ultimately impact smaller banks, credit unions, and community financial institutions. Exempt institutions—those with under \$10 billion in assets—saw their debit card interchange [revenues drop](#) by 13 percent for single-message network transactions between 2011 and 2021.

Federal Reserve Governor Michelle Bowman [identified](#) this problem by stressing that “smaller issuers inevitably face some degree of pricing pressure” under the current system.

Smaller issuers provide critical services to underserved communities, particularly Hispanic, Black, and low- to middle-income families, who face the highest barriers to

accessing basic financial services. We note that 36 percent of Black and 33.4 percent of Hispanic households across the country remain unbanked or underbanked.

Our concern includes threats to existing programs like Bank On that benefit economically disadvantaged individuals across the country by increasing access to essential financial tools like low-cost checking accounts and are funded through interchange fees. As of late, 8 million Bank On accounts are active, processing 145 million debit transactions each month.

The Federal Reserve should adopt broad regulatory stances that, at a minimum, do not place unnecessary and counterproductive obstacles on consumers, particularly low-and-moderate income Americans. As such, we respectfully request that the Federal Reserve withdraw this proposal.

Sincerely,



Mario H. Lopez

President

Hispanic Leadership Fund



Nicole A. Elam, Esq.

President & CEO

National Bankers Association