June 18, 2024

The Honorable Ted Budd
United States Senate
Washington, DC 20510

Re: Support for The Secure Payments Act of 2024

Dear Senator Budd,

The undersigned trade associations, which together represent the entire banking and credit union industry, write to express our support for The Secure Payments Act of 2024. This important legislation would require the Federal Reserve Board (Fed) to pause its misguided Regulation II proposal and thoroughly study its impacts before moving forward.

Financial institutions facilitated $4.2 trillion in transactions in 2021, giving customers access to the goods and services they need around the clock. But, processing these payments instantly and safely at every retail location in the U.S., comes at a cost. Interchange supports the technology upgrades, fraud prevention tools, and zero liability that retail customers expect. Yet the Fed's proposal fails to adequately account for the costs issuing financial institutions incur to offer debit cards and to facilitate debit card transactions. Indeed, the current proposal would lower the debit interchange price cap by nearly 30 percent, and 34 percent of covered financial institutions would be forced by the Fed to operate debit programs at a loss, including a significant number of small financial institutions. Small financial institutions, which are supposedly exempt from the rule, experienced a decline in their per-transaction debit revenue after Reg II was implemented in 2011.

Of particular concern, the proposed reduction in the interchange cap would lead to a reduction in the availability of low-cost deposit accounts, which would disproportionately impact underserved consumers. Indeed, after debit interchange price caps were first implemented in 2011, consumers saw decreased availability of free checking accounts, higher minimum account balances and fees as well as a decline in debit card rewards programs. The emergence of low-cost Bank On accounts, which have brought millions of Americans into the banking system, has been a financial inclusion success story. More than a dozen groups have written to the Fed to express their concern that the Fed's proposal could disrupt the economics of this product, including the group that sets the Bank On account standards, and harm low-and-moderate income Americans.

Nothing compels the Fed to revisit the interchange cap, and Congress directed the Fed consider the negative effects the proposal would have on financial institutions and their customers, particularly low-and-moderate income consumers. The overwhelming opposition to the rule from small financial

institutions, community groups, think tanks, and academics focused on financial inclusion validates the directive from Congress and makes the need for further consideration clear.

We thank Senator Budd for his leadership on this important legislation and look forward to working with you in advancing the Secure Payments Act.

Respectfully,

American Bankers Association
America's Credit Unions
Bank Policy Institute
Consumer Bankers Association
Independent Community Bankers of America