2024 Hike the Hill – U.S. Federal Reserve Meeting

Thursday, September 26

Time: 1:00 p.m. - 1:45 pm

Location: Federal Reserve Martin Building

2051 Constitution Ave (C Street Entrance)

On Thursday September 26, Hike the Hill meeting participants will meet at the Federal Reserve's Martin Building, located at 2051 Constitution Ave. Please note that participants will use the C Street entrance and should arrive 45 minutes before the scheduled meeting time to allow for security procedures. After clearing security, we will begin with introductions, followed by a facilitated discussion. The focus of the meeting will be sharing how the proposed Interchange rule could impact smaller financial institutions. Additionally, we will address other potential future rulemakings that could impact credit unions. This meeting is an opportunity to advocate for policies that protect your members and institutions. The Federal Reserve anticipates having the following individuals join our meeting **Alyssa O'Connor –** Special Advisor to the Board, **Cindy Starobin –** Executive Specialist Vice Chair Jefferson, **Clara Vega –** Special Advisor to Governor Jefferson, **Juan Climent –** Assistant Director Division of Supervision and Regulation, **Kelley O'Mara –** Senior Counsel Office of Governor Kugler.

Interchange

Credit unions will quantify potential interchange revenue loss when they cross $10B and how that could impact member products and services. These credit unions will also outline the cost per debit transaction and how a one size fits all clearly results in the largest institutions receiving interchange that covers their costs, while smaller covered entities do not receive interchange that covers the per transaction costs. This seems to be in direct conflict with the statute.

Question - What are some ways that the Federal Reserve considered structuring the interchange to ensure that interchange reimbursement was reasonable and proportional to the costs incurred for different size institutions?

GoWest Association Interchange Final Letter

Other Discussion Comments/Questions (time permitting)

Support BASEL III endgame - Credit unions operate with a unique capital structure that requires them to hold 7% pure capital to be considered well-capitalized, with most credit unions holding well in excess of 10%. This conservative capital requirement has led to slower, more sustainable growth compared to other financial institutions, contributing to the stability and resilience of the credit union sector. As a result, credit unions have historically experienced far fewer losses, even during periods of economic stress. This strong capital foundation underscores the industry's commitment to maintaining a healthy financial system and ensuring that credit unions remain safe and sound institutions that serve their members effectively. By prioritizing capital adequacy, credit unions play a vital role in promoting a stable and sustainable financial landscape and in that we support the Federal Reserve's efforts with BASEL III to try to make the banking system hold capital that is commensurate to risk.

Excess Share Balances - Could one of you outline the Federal Reserve's current thinking on potentially proposing a rule reducing interest rates paid on excess balances maintained at Federal Reserve Banks, specifically aimed at institutions that hold a large proportion of their assets in the form of balances at Reserve Banks? What constitutes a large proportion of assets? Would the Federal Reserve consider tailoring such a rule to apply only to larger institutions above a certain asset threshold? This approach could help ensure that smaller institutions, which often face significant challenges in marketing loan products and experience slower loan growth compared to their larger counterparts, aren't disproportionately impacted by such regulations.

Motor Dealer Vehicle Rules – Credit unions have very strong relationships with Motor Vehicle Dealers and have a significant amount of auto lending market. With that in mind could someone provide some insight into the potential rules being considered for motor vehicle dealers? Specifically, we're interested in understanding the scope of these rules and whether you anticipate that they will apply to the relationships between motor vehicle dealers and lenders. Any clarity you can offer on the regulatory focus in this area would be helpful.

Other Rules – Do you have any updates related to BSA enhancements, the CRA rules, or any other issues that might impact credit unions?

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