Dear Chair Powell:

We write to share our concerns with proposed changes to Regulation II, which we believe may impact low-balance, overdraft fee-free accounts. We believe the language of the proposed rule could unintentionally undermine recent, significant progress in bringing low- and moderate-income (LMI) consumers into the mainstream banking system.

The Regulation II price cap proposal threatens to undo the important work that banks, credit unions, and community groups have undertaken to expand access to safe and affordable Bank On-certified accounts. Created and administered by the nonprofit Cities for Financial Empowerment (CFE) Fund, the Bank On National Account Standards (Standards) are designed to address the most significant pain points that affect consumers' ability to open and maintain a basic transaction account, including high minimum balance requirements, high or unexpected fees, and issues with prior accounts. These low or zero-fee accounts must include online bill pay, allow accountholders to receive payments and income securely, and have no overdraft fees – pivotal features for consumers who are beginning or restarting their banking relationship.

In its recent comment letter to the Federal Reserve Board, the CFE Fund noted that the Standards are designed to balance the needs of consumers as well as the economics of banks offering low-cost accounts: "At the same time the Standards' designated features, guardrails, and fee limitations are designed to meet . . . critical consumer needs, we also designed them to be economically sustainable for partner financial institutions, if not even somewhat profitable, rather than dependent upon more ephemeral charitable motivations. We note to the Board that interchange fees are a relevant component of that market sustainability."

Indeed, the economics of accounts are critical in ensuring that they do not become "second chance" accounts that are rarely marketed and carry an unfortunate stigma. We are concerned that the proposed nearly 30% cut in debit interchange rates could upend the economics that enable financial institutions of all sizes to offer Bank On-certified accounts in a sustainable manner, thereby limiting consumers' ability to access affordable banking products.

Over the past several years, as a result of an intense and coordinated effort among industry and other coalition partners, the number of Bank On-certified accounts has exploded, from around 40 accounts in late 2019 to nearly 450 today, with dozens more in the approval queue. Banks of all sizes and across branches in all 50 states offer consumers access to safe, affordable accounts – with Bank On accounts accessible to 95.5% of LMI households as of 2022. Notably, in its most recent National Survey of Unbanked and Underbanked Households, the FDIC reported that the rate of unbanked households dropped to 4.5%, the lowest level since the survey began – with approximately 5 million households entering the banking system between 2019 and 2021 alone.

Banks and credit unions offering Bank On-certified accounts, in partnership with trusted community-based organizations and local governments, provide consumers with an essential onramp to mainstream financial markets. These accounts have a demonstrated track record of reaching unbanked and underbanked communities – and are the starting point for the ongoing work of true financial inclusion and aid in a wider mission of closing the racial wealth gap.

We recognize that consumer access to affordable and inclusive banking and payment options is a priority for the Federal Reserve and that the intention of this regulation is not to hinder Americans' access to tools that enhance the Federal Reserve's financial inclusion efforts. We appreciate the Federal Reserve's extension of the comment period and would urge you to ensure that the final rule does not unintentionally impact LMI consumers negatively.

Sincerely,

Nikema Williams	Blaine Luetkemeyer
Member of Congress	Member of Congress

cc: Fed Board Members