



**DCUC**  
DEFENSE CREDIT UNION COUNCIL

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**Jason Stverak**  
Chief Advocacy Officer

**May 21, 2026**

Senate Majority Leader / President Pro Tempore  
The Honorable Andrea Stewart-Cousins  
188 State Street  
Legislative Office Building, Room 907  
Albany, NY 12247

Senate Minority Leader  
The Honorable Robert G. Ort  
Capitol Building, Room 315  
Albany, NY 12247

**Dear Majority Leader Stewart-Cousins and Leader Ort:**

On behalf of the Defense Credit Union Council (DCUC) which represents credit unions serving active-duty servicemembers, veterans, military families and communities across the United States and around the world, I respectfully urge you not to advance **S5587A**, the **Interchange Fee Prohibition Act**, and to reconsider the broader package of related interchange-fee legislation pending in New York. DCUC represents over 200 credit unions serving over 40 million members with assets in excess of \$525 billion.

I appreciate the desire to reduce merchant costs, but these bills would not operate as a simple pricing correction. They would instead impose state-specific operating rules on a national payment system, with material risk for consumers, smaller financial institutions, and military households.

S5558 is broader than it first appears. Its current text would bar interchange on tax and gratuity amounts only if merchants transmit that data during authorization or settlement, create a later documentation and refund process for merchants that do not do so, allow tax documentation up to 180 days after a transaction, require issuer credits within 30 days, prohibit repricing to offset the carveout, impose a \$1,000 civil penalty per electronic payment transaction, and restrict the use of transaction data outside basic transaction facilitation or processing. Those are not minor fee edits. They are operating instructions for authorization, settlement, reconciliation, compliance, and data governance.

That matters because payment systems function as integrated national rails, not as isolated local arrangements. A New York-specific carveout would not stop at one bank or one network. It would force changes across merchant point-of-sale systems, processors, acquirers, issuers, settlement files, billing systems, dispute operations, and customer-service workflows. It is a fact that once a state pushes carveouts into the plumbing of the card system, the burden ripples outward across the entire payments chain rather than remaining with a single entity.

Illinois now provides a concrete warning. In April 2026, the Office of the Comptroller of the Currency concluded that the Illinois Interchange Fee Prohibition Act is preempted as applied to national banks and federal savings associations. The OCC said that law would create a complex, potentially unworkable, and destabilizing standard for banks and the nation's payment-card systems, and the agency warned that the problem would be worse if multiple states adopted similar or conflicting rules. The OCC further estimated that, absent preemption, OCC-supervised institutions would face more than \$232 million in one-time system-upgrade costs, about \$145 million per year in manual documentation processing costs for the first several years, and around \$200 million in lost issuer revenue. New York should not invite the same operational chaos, charter-based patchwork, and litigation risk.

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Nor is there a strong empirical basis for assuming that consumers will benefit. Neither S5558 nor the related New York bills require savings to be passed through at the register. The best U.S. evidence on interchange regulation suggests caution, not confidence. The Federal Reserve Bank of Richmond found that after the Durbin Amendment, 75 percent of merchants reported no price change, and among the merchants that did change prices, far more raised prices than lowered them. More recent peer-reviewed work in the Journal of Financial Economics finds that banks recouped a significant portion of interchange losses through higher consumer charges and that increased use of higher-interchange credit cards likely diminished or even eliminated merchant savings.

There is also a real risk of shifting costs from merchants to consumers and from large institutions to smaller, community-based issuers. GAO has reported that lower interchange revenues can prompt issuers to increase cardholder costs, reduce rewards, or curtail credit availability, and it specifically noted that smaller issuers such as community banks and credit unions rely on interchange as a significant source of card-program revenue. The same pattern appears in post-Durbin research showing that free checking fell and account fees rose, with the burden landing disproportionately on lower-income consumers. That is precisely the sort of unintended outcome New York should avoid.

For defense credit unions, these concerns are immediate and human. Card-program economics help support the fraud tools that stop suspicious charges, the staff who solve payment problems during deployments and relocations, the digital infrastructure members use around the clock, and the affordable products that help households manage cash flow during periods of stress. Defense Department data show that only 60 percent of active-duty spouses described their financial situation as comfortable in 2024, that spouse support for staying on active duty has declined, and that PCS moves routinely create employment disruption, income loss, and out-of-pocket costs. Policies that increase financial friction or reduce service capacity at community institutions serving military families do not merely affect a spreadsheet; they affect readiness, resilience, and retention.

For these reasons, I respectfully urge you to oppose S5587A and related interchange-fee legislation in its current form. A state-by-state carveout regime would fragment the national payments system, raise implementation and compliance costs, and likely reallocate those costs to consumers without any reliable guarantee of lower prices. I would welcome the opportunity to discuss these concerns and to work with you on policy approaches that support merchants without destabilizing the payment rails that New Yorkers rely on every day.

Please contact me at [Jason.Stverak@dcuc.org](mailto:Jason.Stverak@dcuc.org) with any questions about DCUC's comments.

Sincerely,



Jason Stverak  
Chief Advocacy Officer  
DCUC

CC: Members of the New York State Senate