



March 31, 2025

The Honorable Chair Carol Hagan McEntee  
House Small Business Committee  
State House  
Providence, RI 02903

Re: H.5554 An Act Relating To Commercial Law -- General Regulatory Provisions --  
Interchange Fees

Dear Chair McEntee :

I am writing on behalf of Navigant Credit Union ("Navigant") to oppose the foregoing bills, collectively referred to herein as "IFRA".

Recently, community-based, financial institutions have been caught in the crosshairs of federal agencies as such institutions have been lumped in with the largest, national banks. These attacks, thus far forestalled, aim to limit the necessary financial services that Navigant, and others like it, provide the community. Unfortunately, now Navigant, a Rhode Island state-chartered credit union, must defend itself against IFRA in Rhode Island, a bill that has real consequences to Rhode Island consumers.

Navigant is Rhode Island's oldest and largest state-chartered credit union and is member-owned. Navigant and other credit unions have stepped in to provide banking for the under-banked and the "unbanked". Navigant, with its 26 branches, invests in and strengthens the financial well-being of its members: the individuals, families, and local businesses of Rhode Island. It also serves its community by, for example, giving \$1,000,000 in charitable giving in 2024 alone. Passage of IFRA, in so many ways, will impact the way Navigant and other state-chartered financial institutions will be able to serve the Rhode Island community.

Before the Committee takes any action on IFRA, we ask that this Committee take note of the litigation occurring over similar legislation passed in Illinois last year, in *Illinois Bankers Association, et al., v. Kwame Raoul*, Case No. 1:24-cv-07307 (U.S. Dist. Ct. ND Ill.). In that case, where an Illinois state law similarly seeks to prohibit interchange fees charged on taxes and gratuity, a United States District Court issued a preliminary injunction, in part, on grounds that included federal preemption. Such preemptive effect preliminarily bars Illinois from enforcing its statute against national banks, out-of-state banks, and Federal savings associations. The Committee should note that the Court, in order to issue the preliminary injunction, found that the plaintiffs seeking to enjoin the statute demonstrated they would be successful on the

merits. Thus far, though a Motion for Summary Judgment is pending on behalf of credit unions as well, pre-emption does not apply to federal or state-chartered credit unions.

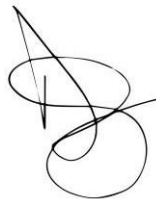
Based on the experience in Illinois, at best, the only financial institutions upon which IFRA would apply is state-charted institutions, like Navigant, and federal credit unions as it will not survive the legal challenges posed under pre-emption. This will leave Navigant, and other community-based financial institutions, on an island to compete with national banks and out-of-state banks at a severe disadvantage. Indeed, the question is begged whether any payment system issuing credit cards would entertain doing business with such community financial institutions given the impracticalities IFRA demands. IFRA could have the very real result of crippling Rhode Island's community financial institutions while strengthening out-of-state and federal financial institutions.

Secondly, the penalties are staggeringly high. To impose penalties of \$1,000 per transaction against community financial institutions is potentially ruinous as well as arbitrary and capricious.

Credit unions represent 480,000 members in Rhode Island, collectively, (over 140,000 are Navigant members). Credit unions were created "to make more available to people of small means credit . . . , thereby helping to stabilize the credit structure of the United States." *Tex. Instruments Fed. Credit Union v. DelBonis*, 72 F.3d 921, 931 (1st Cir. 1995). Navigant and its fellow Rhode Island credit unions continue to serve that mission today. However, legislation such as IFRA that seeks to slash the small percentage of transaction fees it receives in order to provide its members secure and safe financial services will be devastating upon Rhode Island-based financial institutions and its economy.

For the foregoing reasons, Navigant opposes the adoption of S 0768 and S 0842.

Sincerely,

A handwritten signature in black ink, appearing to be "David Pellegrino", with a stylized, looping flourish.

David Pellegrino  
General Counsel & Chief Risk Officer  
Navigant Credit Union