



**July 7, 2026**

VIA ELECTRONIC SUBMISSION ON REGULATIONS.GOV

Melane Conyers-Ausbrooks  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

**RE:** Comments on the National Credit Union Administration Interim Final Rule on  
Preemption — Federal Credit Union Non-Interest Charges and Fees, RIN 3133-AG11,  
Docket No. NCUA-2026-1189

To Whom It May Concern:

On behalf of the National Lumber and Building Material Dealers Association (NLBMDA), we respectfully submit the following comments in response to the National Credit Union Administration's (NCUA) Interim Final Rule on Preemption — Federal Credit Union Non-Interest Charges and Fees (Interim Final Rule).<sup>1</sup>

NLBMDA is a Washington, D.C.-based trade association which advances the federal legislative and regulatory interests of the lumber and building materials (LBM) industry. The LBM industry is comprised of thousands of dealers nationwide who play an integral role in the nation's residential and commercial construction sector. As suppliers to builders, contractors, and home renovators, NLBMDA dealers take pride in offering expert, individualized service, built on generations of experience and long-standing ties to the communities they serve.

NLBMDA primarily represents small to mid-sized independent lumber and building material dealers, including dealers in Illinois, many of whom routinely process high-dollar credit card transactions as part of their daily operations. While NLBMDA generally reserves formal comments for matters of broad national significance, the NCUA's Interim Final Rule carries implications that extend well beyond Illinois. By clarifying that federal credit unions (FCUs) may assess or receive non-interest charges and fees, including interchange fees, even when such fees are set by or in consultation with third parties, the Interim Final Rule has the potential to influence ongoing legislative efforts in numerous states considering policies related to interchange fee reform and the application of swipe fees on sales tax and gratuity portions of transactions. Given the significant and growing financial burden interchange fees impose on the LBM industry, NLBMDA is compelled to submit the following comments regarding the Interim Final Rule and its broader implications for dealers and the merchant community.

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<sup>1</sup> National Credit Union Administration, *Preemption — Federal Credit Union Non-Interest Charges and Fees*, Interim Final Rule, 91 Fed. Reg. 34725, RIN 3133-AG11, Docket No. NCUA-2026-1189 (June 9, 2026).

As the Interim Final Rule notes, payment cards are deeply rooted components of the modern economy. Like virtually all sectors of the economy, LBM dealers have experienced a significant increase in credit card usage as a share of total sales activity. This shift has correspondingly increased the overall interchange, or “swipe,” fee burden borne by dealers, particularly given the high-dollar transactions common throughout the building materials industry. Premium rewards and business credit cards frequently used by contractors and construction professionals often carry interchange rates exceeding 3 percent, further compounding costs for dealers. As a result, rising interchange expenses have become an increasingly significant operational and financial challenge across the LBM sector. Revenue that historically would have been reinvested into workforce expansion, employee compensation, facility improvements, and other core business operations is increasingly being redirected toward covering rising interchange fees.

Additionally, in order to remain competitive with larger national distributors and retailers, many independent and regional LBM dealers choose to absorb swipe fees as a cost of doing business rather than pass those costs directly onto their customers. However, this dynamic places disproportionate financial pressure on smaller dealers operating on tighter margins, limiting their ability to reinvest in growth, expand operations, and make long-term investments in their workforce and communities.

NLBMDA does not dispute the role interchange fees play in supporting the payment card ecosystem, including maintaining payment network infrastructure, safeguarding against fraud, and enabling the secure and efficient processing of customer transactions. However, the steady escalation in effective interchange costs across card categories demonstrates that swipe fees have evolved far beyond a cost-recovery mechanism tied to maintaining core payment infrastructure. Instead, interchange fees have increasingly become a substantial and rapidly expanding revenue stream for payment networks and card issuers, generating nearly \$200 billion annually in swipe fee revenue in 2025 alone.<sup>2</sup> Further, the average interchange fee charged on Visa and Mastercard-branded cards, which together account for more than 80 percent of the payment card market, stands above 2 percent, underscoring the scale of the costs imposed on merchants that have limited practical ability to negotiate the fees required to accept widely used cards.

The Illinois Interchange Fee Prohibition Act (IFPA) addresses a clear and indefensible inequity. Small businesses are being charged interchange fees on taxes and gratuities they never retain. These amounts are not merchant revenue; they are pass-through obligations collected for governments and employees. Requiring businesses to pay swipe fees on dollars they are legally or practically obligated to pass along is unreasonable, unjustified, and precisely the type of issue state policymakers should be permitted to evaluate and address.

IFPA was enacted through Illinois House Bill 4951 during the 103rd Illinois General Assembly following extensive stakeholder debate and consideration in both chambers. The Illinois Senate approved the measure on May 26, 2024, by a vote of 37–22, and the Illinois House concurred with the Senate amendments on May 29, 2024, by a final vote of 60–47–3. Governor J.B. Pritzker signed HB 4951 into law on June 7, 2024.<sup>3</sup> This was not a rushed or obscure enactment. IFPA emerged from a lengthy, public legislative process that gave payment networks, card issuers, processors, financial institutions, and other

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<sup>2</sup> The Nilson Report, *Merchant Processing Fees in the United States — 2025* (2026).

<sup>3</sup> Illinois General Assembly, Bill Status of HB 4951, 103rd General Assembly; Illinois Public Act 103-0592.

affected stakeholders ample notice and a meaningful opportunity to evaluate the law, prepare for compliance, and make the operational changes necessary to comply.

Importantly, IFPA did not impose immediate compliance obligations upon enactment. The law originally provided more than a full year before its initial effective date. The Illinois General Assembly later enacted legislation delaying implementation, and the state has since further amended the effective date for Article 150 to July 1, 2027.<sup>4</sup> As a result, affected entities have had, and now continue to have, a substantial compliance runway. This extended timeline undercuts the argument that immediate federal regulatory intervention without prior notice and comment was necessary to avoid imminent disruption.

NLBMDA is concerned that the Interim Final Rule adopts an overly broad view of preemption that risks displacing state-level policy decisions without sufficiently accounting for the practical impact on merchants. At its core, IFPA addresses whether interchange fees may be assessed on the tax or gratuity portion of an electronic payment transaction. For LBM dealers and other merchants, those tax amounts are collected on behalf of state and local governments and are not revenue retained by the business. Allowing interchange fees to be assessed on those amounts imposes significant costs on merchants for funds that do not belong to them.

NLBMDA further urges the NCUA to avoid using this proceeding to insulate interchange fee practices from meaningful competition or state-level scrutiny. The Interim Final Rule states that FCUs may charge non-interest charges and fees, including interchange fees from credit and debit card operations, and that such fees may be set by or in consultation with third parties. While NLBMDA recognizes that FCUs rely on third-party payment networks to facilitate card transactions, this structure is precisely why merchants have so little practical leverage in the current payments market. In many cases, the fees imposed on merchants are not meaningfully negotiated between the merchant and the card issuer, but instead flow through a network-driven system in which the merchant's practical choice is to accept the fee structure or lose access to widely used payment methods.

That dynamic is especially concerning for small and mid-sized merchants operating in industries such as lumber and building materials, where transaction sizes are often large and customers increasingly rely on business and rewards credit cards. To the extent the Interim Final Rule permits interchange fees to be set by or in consultation with third-party networks while also preempting state efforts to address specific fee practices, the result would further entrench a payment system in which merchants have little practical ability to negotiate or control the costs they incur to accept cards.

NLBMDA is also concerned by the NCUA's decision to issue the Interim Final Rule without prior notice and comment. The rule makes clear that NCUA intends to clarify and consolidate its preemption rules and expressly address non-interest charges and fees, including interchange fees. That is a significant regulatory action with substantial marketplace implications. Before adopting any final rule, NCUA should fully consider the views of merchants, small businesses, state policymakers, and other stakeholders directly affected by the continued escalation of interchange fees. The agency should not rely solely on the

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<sup>4</sup> Illinois Public Act 104-0532, § 70, amending 815 ILCS 151/999-99 to provide that Article 150 takes effect July 1, 2027.

operational concerns raised by financial institutions and payment networks while discounting the equally significant and ongoing costs borne by merchants.

NCUA should also more fully account for the small business impact of continued interchange fee escalation. The Interim Final Rule evaluates the effect of the rule on small credit unions, but it does not meaningfully assess the impact on the businesses that must pay the interchange fees the rule is designed to protect from state-level limitations. For many LBM dealers, swipe fees are a significant operating expense. These costs reduce the resources available for hiring, wage growth, facility investment, inventory expansion, and community reinvestment. Any final NCUA action should recognize that the payment card system does not affect only financial institutions and cardholders; it also affects the merchants that must participate in that system in order to serve their customers.

This concern is further underscored by President Trump's stated support for swipe fee reform. The President has specifically called attention to the harm caused by excessive swipe fees and this year urged support for the Credit Card Competition Act as a means of addressing what he described as the "out of control Swipe Fee ripoff."<sup>5</sup> That position is consistent with the Administration's broader recognition that small businesses are central to the American economy and should not be burdened by unnecessary or excessive costs.

For these reasons, NLBMDA respectfully urges the NCUA to withdraw or substantially narrow the Interim Final Rule before issuing any final rule. At minimum, the NCUA should ensure that any final action addressing non-interest charges and fees is carefully tailored, does not unnecessarily displace duly enacted state laws, and fully accounts for the practical impact of a payment structure that continues to impose elevated fees and growing financial pressure on LBM dealers and other merchants.

NLBMDA appreciates the opportunity to submit comments on the Interim Final Order. Questions on NLBMDA's comments may be directed to NLBMDA's Government Affairs Coordinator, Matthew Delaney, at [mdelaney@dealer.org](mailto:mdelaney@dealer.org).

Sincerely,



Jonathan M. Paine, CAE  
President & CEO  
National Lumber and Building Material Dealers Association

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<sup>5</sup> President Donald J. Trump (@realDonaldTrump), Truth Social (Jan. 13, 2026).