To: Credit Union C-level list + Credit/Debit/Operational Contacts
Date: May 21, 2026
Subject: A Message from Velera President and CEO Chuck Fagan

Update and Action Needed: Illinois Interchange Fee Prohibition Act (IFPA)

To Our Valued Credit Unions,

Velera continues to monitor and engage on the Illinois Interchange Fee Prohibition Act (IFPA), which prohibits financial institutions from receiving interchange income on the sales tax and gratuity portions of credit and debit card transactions. A court ruling in February confirmed that any cardholder transaction occurring in Illinois – regardless of the issuer – would be subject to interchange withheld on the tax and gratuity portion of the payment beginning July 1, 2026. The plaintiffs challenging the law, including America's Credit Unions, the Illinois Credit Union League, the American Bankers Association and the Illinois Bankers Association, filed an expedited appeal of that decision on Feb. 13.

Below are the latest updates – and an important call to action.

Updates
On April 24, the Office of the Comptroller of the Currency (OCC) issued an interim final rule and order preempting the IFPA. The actions, effective on June 30, declare that national banks and federal savings associations are exempt from the state law. Shortly thereafter, the federal appeals court cancelled the appeals hearing scheduled for May 13, vacating the district court's February ruling in light of the OCC's interim final rule. Earlier this week, the NCUA issued a similar rule to that of the OCC.

To be clear, this is not yet a victory for credit unions and does not mean that the IFPA is invalidated. Importantly, state-chartered credit unions and community banks are not covered under the preemption. While recent actions may favor a delay to the July 1 implementation date, uncertainty has also been amplified; the Illinois legislature has not acted to delay or repeal the IFPA and the legislature adjourns its session on May 31. The district court must reevaluate the case and issue a new ruling – and could either accept or reject the OCC and NCUA preemption. Regardless of the outcome of the district court ruling, appeals are expected to that ruling, and whether the federal court of appeals would consider that appeal prior to July 1 is uncertain.

For reference, the full text of the Illinois Interchange Fee Prohibition Act is available here.

Credit Union Impacts
The ability to track gratuities and state and local sales taxes – including excise taxes – on Illinois transactions is not readily in place across the industry today, and the compliance burden associated with this law remains significant. The penalty for non-compliance is substantial:

$1,000 per transaction to the party that improperly assesses or receives the interchange. To comply in an automated manner, card networks would need to implement new technical specifications at presently unknown costs and timing. New terminals and point-of-sale (POS) software updates may also be required for merchants.

Working with Industry Partners
Velera remains actively engaged with our processing and card network partners to evaluate all potential approaches for support. While recent legislative movement has provided somewhat greater optimism on a potential delay of the July 1 implementation date, the situation remains fluid.

Velera continues to actively collaborate with the NCUA, America's Credit Unions, the Illinois Credit Union League, the Defense Credit Union Council, the Electronic Payments Coalition (EPC) and other industry organizations as we work together toward addressing the law in Illinois.

ACTION NEEDED: Submit Comments by May 29

As a critical next step, it's time to raise our collective voice. In collaboration with our industry partners, we strongly encourage our credit unions to submit comment letters to the OCC to help strengthen their litigation position, as merchants are expected to challenge the OCC rule and order. Velera will also submit our own comment letter, and we've created the following templates for our credit unions to comment on both the OCC Rule and the OCC Order:

Comment Letter Template: OCC Rule (National Bank Non-Interest Charges and Fees)

Comment Letter Template: OCC Order (Order Preempting the Illinois Interchange Fee Prohibition Act)

Credit unions should submit comments through the Federal eRulemaking Portal. **All comments must be submitted by May 29, 2026.** Below are instructions on accessing the portal and submitting public comments on behalf of your credit union and your members:

- Go to https://regulations.gov/.
- **For the OCC Rule** (National Bank Non-Interest Charges and Fees)**:** Enter Docket ID "OCC-2026-0430" in the Search Box and click "Search."
- **For the OCC Order** (Order Preempting the Illinois Interchange Fee Prohibition Act)**:** Enter Docket ID "OCC-2026-0431" in the Search Box and click "Search."
- Public comments can be submitted via the "Comment" box below the displayed document information or by clicking on the document title and then clicking the "Comment" box on the top left side of the screen.
- For additional help with submitting effective comments, please click on "Commenter's Checklist."

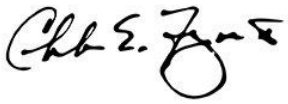
- For assistance with the Regulations.gov site, please call (866) 498-2945 on Monday-Friday from 9 a.m.-5 p.m. ET, or e-mail regulationshelpdesk@gsa.gov.

We will also plan to send a future message to assist you in providing comment letters in support of the NCUA's preemption rule. However, we are focused on the OCC comment letters given the May 29 submittal deadline.

Thank you in advance for your collective support in voicing support of the OCC's ruling. As the only large fintech provider solely focused on the interests of credit unions, Velera remains fully committed to keeping you informed and supported throughout this process. We will continue to monitor developments and provide timely updates as the situation continues to evolve.

Thank you, as always, for your trust and partnership.

Sincerely,



Chuck Fagan
President and CEO
Velera