

The Federal Reserve Board

Dear Sirs:

I am very concerned with the recently proposed regulation that would regulate debit card interchange fees and routing. I'm not so worried about the effect this regulation would have on "the big boys" in the banking world but I am concerned about my credit union, Marshland Credit Union. I ask you to consider carefully a provision to implement reasonable interchange regulations that will allow small issuers, like my credit union, to continue to be protected from lower interchange fees.

I am very much afraid that the Federal Reserve Board's proposal does not include provisions which will enforce an exemption for small issuers, such as Marshland. I urge you to use your authority to reinforce the small issuer exemption and ensure that it works as Congress intended.

The proposed structure of debit interchange rates also concerns me, especially if the establishment and maintenance of a two-tiered structure cannot be assured. The establishment of a two-tiered structure sounds good on paper but I am not convinced of its feasibility nor of the Fed's ability to enforce it. Please consider how much it costs to operate a debit interchange system especially when you include the cost of fraud prevention and the cost of new technology that reduces potential fraud.

Let's say a two-tiered system is permitted and actually works in practice. The small issuers, like my credit union will still be at a disadvantage if the provisions on routing and exclusivity that allow merchants to choose how debit card transactions are processed are not implemented properly. I therefore urge the Fed to adopt routing "Alternative A," which would require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks is inconsistent with statutory requirements and would place an unreasonable regulatory burden on our credit union that could negatively impact service to our members.

Interchange revenue from the use of debit and credit cards is vital to credit unions to support the administrative expense of card programs. In addition, the limitations on debit interchange fees and card practices will affect how credit unions serve their members, driving up the cost of providing checking accounts and debit cards.

I ask that you propose a regulation that will protect people like me and other credit union members throughout the nation. Please, include exemptions for small issuers which will protect them from your proposed interchange fees.

Respectfully,
Faye Farabee

