

From: Kim Alexander
Subject: Reg I I - Debit card Interchange

Comments:

February 9, 2011

Federal Reserve Board
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Federal Reserve Board:

Hello and thank you for taking time to consider all sides of the proposed regulation.

One area I would like you to keep in mind is the process of government taking over free enterprise pricing. We are a smaller credit union and would be greatly impacted by the decrease in fee income. There are no guarantees on the tier system and without that it seems like poor government approving legislation no knowing the impact.

In addition, I don't see where the government is taking into consideration on the pricing that we the financial institutions are taking all the risk on fraud and negative balances. Allowing a set rate (determined by government) that isn't even allowed to consider the true cost of providing the service would be wrong.

Remember if financial institutions are forced to pursue income elsewhere or even worse to stop offering the cards, the merchants will see more losses via papercheck. Although the merchants are paying a slightly higher interchange fee it is VERY important to consider that the merchant is no longer taking the full hit for bad checks. Their operating costs may even be declining without having to write-off the bad check losses.

One last comment is that if the legislature thinks this is looking out for the people, remember by jumping into free enterprise you may force the consumer (your voters) to actually pay more either at the merchant or through other banking fees. The financial industry can't just go away when this causes large dollar losses, the only way to recover is to charge higher loan rates, less deposit rates or increase fee expense elsewhere.

I appreciate you taking time to consider the industry as well as the ultimate consumer.

Sincerely,

Kim Alexander