

From: American Partners Federal Credit Union, Dorinda Edwards
Subject: Reg II - 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:

American Partners Federal Credit Union is a small credit union. We meet the needs of 8300 members and we are a full service financial institution. On behalf of American Partners Federal Credit Union and our valued members, I am writing you in regard to the interchange language included in the Dodd-Frank Wall Street Reform and Consumer Protection Act. It is important to me, as well as our board members and credit union members, that you be made aware of the negative impact the interchange language will have on all consumers going forward.

The Federal Reserve has proposed artificially low caps on debit interchange and at the same time, does not take into consideration the true cost of running a secure, reliable and efficient debit network. Electronic payments networks offer significant benefits to everyone and include things like security, fraud prevention and fast growing innovations like mobile. All this protection and innovative services come with a price that is not considered in the interchange rate proposed.

In addition, the interchange amendment lacks any enforcement mechanism for small issuers exemption and there is no guarantee the payment card networks will operate a two-tiered system the exemption necessitates for small issuers, like American Partners. Couple that with the routing provisions that would require all credit unions, regardless of size, to join additional payment networks at a substantial cost, this interchange becomes a financial nightmare for all financial institutions. It is easy to see the interchange amendment has the potential to have tragic consequences, not only for credit unions and their members, but for any users of financial institution issued debit cards. I do believe that any significant reduction in interchange income will require higher fees paid by consumers and I feel very strongly this was not the intent of Congress.

Potential Harm to Consumers and my Credit Union Members:

- Consumers will end up paying more and getting less, despite the law's intent.
- With the significant drop in revenue, credit unions may be unable to continue debit programs in the future.
- Banks have already acknowledged that consumer fees will need to increase and most large banks have already begun this implementation.
- Congress recognized the importance of interchange to smaller institution and agreed to "carve out" those below \$10 billion in assets; however, last minute routing and exclusivity requirements was added giving retailers the ability to steer transactions away from the smaller institutions Congress attempted to

protect. · As a result of such routing and exclusivity, TARGET now offers their own debit card. (www.target.com) · The routing and exclusivity requirement will also increase credit union costs with the addition of added network requirements. · The inability of the Board to write rules that would require a two tier system is in disregard to the intent of Congress. · The debit provisions adopted were never subject to public debate, hearings and/or independent review.

Any legislation action with an impact of this magnitude deserves serious deliberation. For this reason alone, I would like to offer the following suggestions: · First and foremost; delay the effective date of the Federal Reserve's rulemaking. · Hold hearings that will analyze the effects of these provisions. · Direct Federal agencies to study the products and costs of the card program and present it for review and debate. · Congress should take the appropriate actions after the results have been presented.

Because of the issues related to consumer harm, I urge you to consider the impact it will have on my members and all debit cardholders, nationwide; implement this in the manner Congress intended and take appropriate actions after the results have been studied and presented.

Thank you for your time and consideration.

Sincerely,

Dorinda M. Edwards