

From: Bruce Boland
Subject: Reg I I - Debit card Interchange

Comments:

February 10, 2011

Jennifer J Johnson
Secretary, Board of Governors of the Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20551

Dear Jennifer Johnson:

Your Agency has been given the unenviable task of interpreting the Durbin amendment. Our opinion is that you have taken an axe approach to this rather than using scissors. We presume your proposal, which sets an unprofitable cap on Debit Card Interchange (\$.12 per transaction) was for effect to stimulate further discussion.

Your proposal has gotten all banks attention!! We also hope that it gets Congress and Consumers attention.

The effect of your proposed interchange cap is that small banks (yes the act tried to carve out an exemption for us, but competitive forces will lower our interchange also) will now lose money on providing a debit card as well as checks. Your agency has worked hard to reduce paper processing of checks and that is largely succeeding because all Banks have pushed for debit transactions as well as ACH for the reduction in Paper processing.

The legislation is flawed (and because of it your proposed interchange level is flawed), because it doesn't allow for the costs of fraud to be included (not based on reality is it). Perhaps banks will need to return to pushing the use of checks again which would allow banks to return the check and put the burden of fraud avoidance back on the merchant who is in the best position to deter fraud on any transaction.

We urge the Fed to do further study on the cost and urge you to consider the effect on the 7,000 plus smaller banks that will also be affected by the 70% revenue reduction of your proposal. This is the same revenue which allows small banks to pay for Internet Banking and Bill Pay services for all.

Adoption of your proposal will lead to imposing a cost to checking accounts on the middle and lower class consumers (they do not have the means to keep minimum balances at necessary levels) rather than the free checking they have enjoyed over the past 20 years.

In closing, please join small banks in talking to Congress about the effects of this legislation: 1) On the loss of free checking in America and the growth of lower income people to the rolls of the unbanked in the future.

2) Join us in asking that the cost of Fraud be included in any proposal

which may be adopted (We need to reflect the reality of the world we live in.

3) Require that further study be done to assess the effects on smaller banks and the rural economies in America before setting any level of rate cap.

Sincerely,

Bruce Boland