

From: Debra Schouweiler
Subject: Reg I I - Debit card Interchange

Comments:

February 14, 2011

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

Dear Ms. Johnson:

I have a number of concerns regarding the proposed changes to the debit card exchange fees rules.

My first concern is that in an effort to make merchants happy, because they feel they are paying more than their share, you are putting the banks and the system in even greater danger. Because the banks are the ones that pay for fraud and abuse (not the consumer or the merchant) and also take the risks in terms of if the item will get paid for, the banks need to have incentive to provide the service. We are a very small bank and when the Heartland fraud occurred we lost over a years worth of fee income and had the cost of replacing half of our existing cards at a cost of \$5.00 each. When you take into account that fraud is on the rise, interchange fees are about to be lowered, there is no NSF income from debit cards, and the costs of fraud protection and review is increasing, at what point do banks seriously limit who gets a debit card and what they will have to pay to have one. Banks will not continue to offer services that are not financially worth their effort.

Secondly, the fact that smaller banks may be exempt from this does not make sense either. Does VISA or Master Card quite doing business with us because it is not financially worth it for them to try to implement two different systems or do merchants refuse to honor cards that come from smaller banks because they have to pay more fees with us? Who is going to monitor all of this and at what cost?

If this change is going to occur than there needs to be something to go with it that has merchants taking responsibility for part of the fraud costs. The reason merchants like the debit cards is not only because of consumer demand but they do not need to worry about collecting bad checks or fraud.

In defense of the merchants I believe that they need to have some additional rights in regard to what they can deny as well. If they are losing money on the transaction than why should they do it?

To me it appears like more federal dysfunction. Talk about a co-dependent family. I believe the definition is "doing for others what they can and should be doing for themselves". Consumers need to take accountability for their own actions and be willing to pay for the goods and services they receive. Debit cards are a service that makes life easier for most

of us consumers. That benefit has a price and one way or another either through increased fees in other areas or from lack of availability, consumers will pay the price if they want the service.

So, the government can manipulate and cook up all kinds of crazy laws and regs that make it appear that they are trying to protect the little guy, but it is the little guy with fewer options available that will once again be hurt most by this government interference.

Let the free market work.

Sincerely,

Debra Schouweiler