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February 22, 2011

Via E-mail regs.comments@federalreserve.gov

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

Re: Docket No. R-1404 and RIN No. 7100 AD63
Debit Card Interchange Fees and Routing

Dear Ms. Johnson:

We appreciate the opportunity to provide comment on the Federal Reserve's proposed rule regarding Debit Card Interchange Fees and Routing. On behalf of Mutual of Omaha Bank, this letter specifically responds to the proposal limiting debit card interchange fees and the negative impact of such a change on the banking industry and its customers.

Mutual of Omaha Bank, while still a relatively new player in the industry, is growing quickly, with operations throughout the United States and \$5 billion in assets. We support the Federal Reserve Board's efforts to interpret and implement the provisions of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. However, we strongly oppose the approach taken with regard to interchange fees and do not believe such an extreme limitation is valid, nor is it in line with the underlying goals of consumer protection intended by *Dodd-Frank*.

We join the vast majority of the industry who find this proposal disregards the true costs involved with conducting debit card transactions, will require significant resources to implement and would not increase customer savings and protections, but rather subject them to increased costs and decreased resources on two fronts. First, there is no requirement or expectation that large retail chains (the only real beneficiaries of this proposal) will pass along any savings to their customers. Second, banks will be forced to compensate for the significant loss of fees on debit interchange transactions by increasing fees for deposit customers.

We do not believe the language in the proposed rule is sufficient to determine how the Federal Reserve will be calculating assets for purposes of the \$10 billion threshold. Regardless of the calculation, it is clear the marketplace would drive business to the lowest cost option, limiting or fully eliminating any benefit that banks under \$10 billion would see from the rule.

For Mutual of Omaha Bank, this proposal would represent a 75 percent, or greater, annual reduction in the revenue received for these transactions and fails to take into account fixed costs incurred for supporting the debit transaction system. At seven to twelve cents per transaction,

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financial institutions would have to process debit card transactions far below the cost of providing them. The proposal does not allow for funding costs, overdraft losses, billing and collection, customer service, data processing, protection of customer data and fraud losses associated with debit services. As a result, our plans to issue a debit rewards card to increase customer ease of use and savings, has been eliminated. Many other banks may be forced to eliminate free checking accounts if this rule is implemented - another blow to the low- and moderate-income consumer.

Mutual of Omaha Bank is a member of the Financial Services Roundtable and American Bankers Association, and we fully support the comments from those groups pertaining to this issue. Specifically, that restricting debit interchange fees will create a disincentive for banks to offer these and other services. This proposal will serve only to harm the consumer, contradicting the intent of the *Dodd-Frank Act*, and is simply inconsistent with basic American free enterprise principles.

For the foregoing reasons, Mutual of Omaha Bank strongly urges the Federal Reserve Board to withdraw your proposal to limit debit interchange fees or, in the alternative, to delay the proposal for two years or until such time adequate Congressional hearings and independent analysis can be performed. We believe hearings and analysis will reveal that the Durbin Amendment should be repealed. Once again, we appreciate the opportunity to comment on this very important issue. Thank you for your consideration.

Sincerely,


Jeffrey R. Schmid
Chairman and CEO

JRS:af