



February 19, 2011

The Honorable Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington D.C. 20551

Sent via email to: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

**Re: Comments on Regulation II - Debit Card Interchange Fees and Routing [R-1404]**

Dear Mr. Bernanke:

Thank you for allowing InTouch Credit Union (ITCU) the opportunity to submit our comments on Regulation II - Debit Card Interchange Fees and Routing [R-1404]. ITCU is an \$850 million institution chartered in 1974 and operates twenty (20) branches in six (6) states. Headquartered in Plano, Texas, it serves over 73,000 members living in all 50 states and 23 foreign countries.

First and foremost, ITCU considers it to be unreasonable that costs associated with origination, fraud, promotion, and risk management are not considered "reasonable and proportional" to the transaction cost incurred by the issuer. Our processor recently notified ITCU of another major merchant security breach resulting in ITCU reimbursing members thousands for fraudulent transactions and incurring the cost of reissuing over 600 new cards. The "merchant lobby" has asserted that the cost of processing transactions is too high, but compared to what? When compared to the cost and risks of clearing checks or maintaining cash, processing costs at current interchange levels is still a substantially cheaper way for businesses to process sales. The current interchange rates provide businesses a safe clearing alternative with guaranteed payments, lower costs, and fewer risks and losses versus their other options.

Next, all vendors may not have the time to engineer a two-tiered payment system by the proposed enforcement date of July 21, 2011. The limited number of national signature and PIN networks will force institutions to incur additional costs without enough time to research which combination of networks would produce the most benefit for their constituents with the least cost (especially if Alternative B is chosen). In addition, ITCU has calculated that it will cost us an additional \$100,000 to reissue all our cards to comply with the proposed network requirements; and it is highly unlikely that the small number of vendors authorized to produce cards will be able to meet the demand if a large number of institutions have to reissue cards at the same time.

In closing, time and time again too many Americans experience the unintended consequences of federal government regulations because the scope of the intended benefits were too narrow, the rules were crafted in a vacuum, or no one dared to forecast the potential results of the regulations prior to implementation. The suggested implementation of this new regulation will not decrease prices to consumers; it will only add profits to merchants, and ITCU like many others will be forced to pass on the increased costs to members. We appreciate the opportunity to comment on the proposed regulation

implementation and strongly wish you take under advisement the consequences the current proposal will create. Please feel free to contact us if you would like any additional information.

Sincerely,

A handwritten signature in black ink that reads "Kent L. Lugrand". The signature is written in a cursive style with a large, prominent initial "K".

Kent L. Lugrand  
President & CEO  
InTouch Credit Union  
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