

From: Gavin Bradley
Subject: Reg I I - Debit card Interchange

Comments:

Gavin Bradley

January 12, 2011

Dear Federal Reserve Board:

I am writing as a credit union officer to express my concern over the proposed regulation.

First, and most important, the regulation does not consider the complete and true costs of providing the debit card service when establishing the interchange fee. Therefore, instead of reducing the profit in this area for the benefit of the small business owner and consumer as intended, the regulation will potentially make it cost prohibitive to provide this service to members/customers without adding additional fees to the service or related services just to cover operating costs. As can be seen from the response banks have had to other regulatory efforts designed to protect consumers (many have re-implemented monthly service charges on checking accounts since the overdraft regulation reduced their fee income), all institutions will have to decide to discontinue this service or assess new fees. These new fees will hit hardest on those who can least afford them. In the case of the overdraft regulation, banks have instituted service charges on checking accounts, but regularly waive the fee for those with larger balances or other loan relationships, so only those of modest means (the poor) are impacted - and they are getting charged whether or not they ever had an overdraft!

Smaller institutions will be particularly impacted by this regulatory change as they will not have the capital or the "economies" of scale to overcome this. While the regulation seeks to lessen the impact on smaller institutions, there is no guarantee or requirement that the interchange providers will abide by a two tiered fee structure - particularly when that would require increased expenditure on infrastructure change to accommodate.

While the regulation is designed to benefit the small business and end-consumer, it will not have that effect. As has resulted from other recent regulatory actions to address unfair banking practices, the regulation is just punishing everyone for the sins of the few and causing yet another significant expense/income reduction for small institutions (the same small institutions that provide a financial benefit over the larger monopolistic organizations that are causing the need for regulatory action) at a time when they can least afford it.

Sincerely,

Gavin Bradley