

From: HALLCO Community Credit Union, Joe Foster
Subject: Reg I I - Debit card Interchange

Comments:

Like the regulatory changes last year to overdraft protection laws, the Federal Reserve has once again missed the mark. Overdraft protection rules were imposed to protect the consumer from the onerous practice of the "big, bad banks". This rule accomplished nothing but eliminating the consumer access to free checking. Those consumers that were paying the high overdraft fees before the new rules were implemented, have opted-in and are paying more, higher fees. The responsible consumer is the only one affected because they are losing free checking. This proposed rule will create the same results.

The proposed rule change to interchange fee is no different. While the Dodd-Frank Act limited the law to those institutions above \$10 billion in assets, this proposed rule will affect all institutions. The idea of a two tiered structure is absurd.

Even if a two-tiered system is permitted and works in practice, small issuers will be disadvantaged if the provisions on routing and exclusivity that allow merchants to choose how debit card transactions are processed are not implemented properly. We therefore urge the Fed to adopt routing "Alternative A," which would only require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks is inconsistent with statutory requirements and would place an unreasonable regulatory burden on our credit union that could negatively impact service to our members.

Bottom line, this rule will affect all financial institutions with both higher processor fees and lower fee income. While merchants will improve their bottom line, financial institution of all sizes will have to recover lost revenues with higher consumer fees. We are even considering eliminating checking accounts all together. If other local and regional financial institutions consider eliminating checking accounts or imposing higher consumer fees for debit card transactions, merchants will be forced to process more cash transactions. Neither the Federal Reserve nor the merchants want more cash transactions. Electronic convenience is not cheap.

Congress and the Federal Reserve have overstepped their bounds by imposing limits on the cost a private transaction.

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