

From: Family Trust Federal Credit Union, Ryan Harvey
Subject: Reg I I - Debit card Interchange

Comments:

Date: Feb 22, 2011

Proposal: Regulation II - Debit Card Interchange Fees and Routing
Document ID: R-1404
Document Version: 1
Release Date: 12/16/2010
Name: Ryan Harvey
Affiliation: Family Trust Federal Credit Union
Category of Affiliation:
Address:
City:
State:
Country:
Zip:
PostalCode:

Comments:

On behalf of Family Trust Federal Credit Union and our 42,000 members, I would like to express my concern regarding the proposed debit card interchange regulation. Even though Family Trust falls well below the \$10 billion exemption threshold, it is my belief if this regulation passes as written, it will affect all financial institutions regardless of size. I ask that you take into account the reasons for my concern in this letter before finalizing the regulation. The regulation fails to impose any requirements on merchants that would ultimately encourage cost savings on to the consumer. Additionally, this regulation does not address the true cost of offering a debit card program incurred by small credit unions like ours. Interchange currently offsets more than just the cost to process a transaction. It offsets other expenses such as fraud, fraud management and authorization and settlement. Without interchange many small financial institutions would not be able to offer consumer services like "free" checking. Products like contact-less cards, Verified by Visa, and rewards programs would most likely be in jeopardy if this regulation is passed in its current form. These products would not be possible if there was a substantial decline in interchange on card transactions. Looking back at the old check writing system that preceded debit cards you find a program that was more expensive for merchants who bore the majority of the risk. The existing debit card structure puts that risk primarily on the issuing financial institution. Currently merchants are not required to accept card transactions. They choose to because it is the most cost effective and quickest form of payment and it is what consumer's desire. That being said, shouldn't the consumer be allowed to pay with the form of payment they want and not with the form of payment the government or merchant wants? For these reasons, I cannot stress enough the negative impact the card industry and consumers will see if this regulation passes. Please advocate for change in this regulation before it is finalized and harms the payment industry as a whole and its consumers.