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February 8, 2011

Jennifer J. Johnson  
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**

Dear Ms. Johnson:

I am writing to express significant concerns about the Federal Reserve's proposed Regulation II, Debit Card Interchange Fees and Routing limiting debit-card interchange fees.

As CEO of Bank of American Fork, Utah's largest community bank, I express our strong opposition to the proposed Regulation, particularly the concept of setting an artificial cap on a bank product, effectively hampering the free-market pricing mechanism that is an integral part of our capitalistic system. Our bank has \$840 million in assets with 12 branches and 270 employees. We provide low-cost, high-quality banking products with friendly, personalized service to individuals and small businesses in our communities. We believe that our products and services deliver better value and are more customer friendly than those of our large-bank competitors.

As an example of one of those high-value products, we are currently paying the highest rate of any bank or credit union in the state of Utah on an interest-bearing consumer checking account. That account has no minimum balance requirement and no fees (unless there is an overdraft). It is called "MyRate Checking" and is considered a rewards account because it pays the consumer an extraordinarily high rate of interest if the consumer meets the simple requirements of the account, the most significant of which is that his or her Visa debit card be used at least 12 times during the month for point-of-sale transactions. The average number of those transactions under our MyRate program is 26 per month. We also reimburse the consumer for every ATM fee they might incur at other banks' ATMs. As you might imagine, our customers love this product.

The MyRate account is particularly illustrative because it in effect passes on interchange fee revenue to our consumer customers in the form of a higher interest rate. We understand that the proposed limitation as it is written technically would not apply to us because our bank is under \$10 billion and therefore is technically exempt. However, our industry and we at our bank believe that market forces will impose cap rates on our bank because merchants will either refuse to accept our customers' cards or penalize their use compared to that of cards issued by larger banks.

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In the case of our MyRate product, we believe that if the proposed rule becomes effective, we will be forced to reduce the interest rate we are paying our customers by 150 basis points in order for us to be able to continue the product. Alternatively, we believe that we would have to require 89 point-of-sale purchases per month instead of 12 in order to maintain the interest rate we are currently paying, and that this requirement would be impractical. In either case our consumer customers will be harmed significantly.

We have also analyzed our other products and believe that the proposed rule, if effective, will force us to pass on lost revenue to our customers in the form of increased fees and reduced services. Currently we provide Visa debit cards to all of our customers without any fees. This practice will no longer make economic sense if the proposed rule becomes effective. We believe that we will be forced either to charge annual fees for debit cards or to impose minimum balance requirements, either of which will have a disproportionately negative impact on our lower-income customers. We can see no compelling public policy justification for the harm we expect our customers to suffer under the proposed rule.

In our estimation the proposed rule only benefits merchants by allowing them to pay less than the fair, market-based price for the value that debit cards clearly provide as compared to checks. The protections available for a merchant are much greater with debit-card transactions than they are with checks. Essentially the risk of fraud has been removed from the merchant. With fraud increasing monthly, this risk is not being thought of in setting the cap. Merchants should pay for that increased protection and they should pay the price that the free market determines, rather than a price set by the government at a level below what is necessary to cover the cost of the delivering that protection.

Philosophically, I am disturbed by the whole concept of the regulation. It is the age-old debate between a planned economy set by "smart people" versus a free-market economy which allows the overall will of the people voting with their economic clout to decide the pricing of products. The distortion of one element of one product may make for good politics, but in the long range damages the fabric of our capitalistic system. Price controls have seldom if ever worked. They lead to complicated lobbying and maneuvers to avoid artificial tinkering with supply and demand. It often results in unforeseen consequences that cause further damage to those that should be protected.

For the reasons stated above we are strongly opposed to any capping of interchange fees. It will have a significant negative impact on our bank, many of our customers, and our country's capitalistic system.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard T. Beard". The signature is fluid and cursive, with a large initial "R" and "B".

Richard T. Beard  
President and CEO  
BANK OF AMERICAN FORK