

February 8, 2011

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551.

RE: Docket No. R-1404

Dear Ms. Johnson,

My name is Julie Fair and I am a Risk Analyst at Delta Community Credit Union. As both a credit union member and a financial services employee, I have been monitoring the issue of debit interchange and routing regulations. I have serious concerns regarding the Federal Reserve Board's proposal regarding interchange fee rates.

While we as an issuer with less than \$10B in assets may not be subject to the interchange caps in the proposed Debit Interchange and Routing Regulations, capping interchange income to be reasonable and proportional to only the cost of transaction processing is unfair for issuers like Delta Community, and could unintentionally impact consumers, too.

In 2010, we spent over \$240,000 in systems and services to help prevent unauthorized transactions on our debit and credit cards. Additionally, we lost almost \$450,000 in debit card fraud in the same year which was a direct result of data compromises at merchants or their acquirers and/or processors; not our systems. These fraud losses are a direct hit to the bottom line of our organization as we do not receive direct reimbursement from the merchant or processor whose systems made our cardholders data available for unauthorized use.

The interchange you're intending to cap is partly used by issuers like ourselves to cover this risk we assume as a debit card issuer when a merchant or their processor doesn't maintain systems to security standards; most notably the Payment Card Industry Data Security Standard (PCI-DSS). Today debit cardholders aren't held responsible for unauthorized transactions through a industry-wide adopted \$0 Liability policy. The interchange cap as proposed could put this valuable cardholder benefit at risk. We urge the Federal Reserve Board to revisit the proposed interchange cap to ensure the cost of fraud prevention and fraud losses are also taken into consideration when capping interchange income.

Regards,



Julie Fair
Risk Analyst

