

Ms. Jilinda White
CEO/Vice Chair
First State Bank & Trust
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May 10, 2024

BOARD OF GOVERNORS of the FEDERAL RESERVE SYSTEM
20th Street and Constitution Avenue N.W.
Washington, DC 20551

RE: Docket No. R-1818, RIN 7100-AG67

Dear Sir or Madam,

My name is Jilinda White and I am CEO of First State Bank & Trust, a \$460MM community bank located in northeast Kansas. We were founded in 1934, have eight bank locations and are honored to serve approximately 20,000 customers.

First State Bank & Trust is a highly rated financial institution working hard to serve its communities in today's very challenging banking world. We operate in a competitive environment on a very thin margin. While we are satisfactorily profitable, there is never a great abundance of profit to fund reserves, build capital and operate in a safe and sound manner for the protection of our customers, employees and shareholders.

I am very concerned and am commenting today about the Fed's proposal to lower the debit interchange price cap in Regulation II (Docket No. R-1818, RIN 7100-AG67).

First State Bank & Trust currently offers Free Checking to customers with lower deposit balances concerned with affordability. If interchange revenue is decreased, the situation will demand an increase in account fees to offset the lost interchange revenue. Similar to other banks in our shoes, we likely will no longer be able to offer Free Checking.

We believe the 2021 data behind the proposal is incomplete and reflects government driven data, lacking a consideration of the full costs behind a transaction. You do not include card production, delivery costs, insufficient funds losses, account handling expenses, fraud monitoring costs and costs associated with providing customer service. There are many real world overhead costs in providing quality banking services that the research ignores.

In a perfect world, savings from interchange price caps would be passed on to consumers. However, merchants have benefited from artificially low interchange fees and have received an economic windfall due to this advantage. There is no proof that merchants have passed on previous savings. If the Board lowers the interchange price cap as proposed in the NPRM, merchants will further benefit at the continued expense of consumers.

Additionally, First State Bank & Trust leads a debit card program whereby we donate a portion of the interchange earned by each debit card transaction to charitable organizations in our communities. We support seven charities and have donated over \$518,000 since this program began. Reducing interchange income will have a devastating effect on our communities.

I am sure you have read many sophisticated and lengthy comment letters and I will spare you the many other points that I could detail. I hope the few highlights I mentioned will help convince the Board to withdraw this proposal immediately and not repropose further rulemaking until it has completed additional research that calculates true costs to consumers and reflects real world experience of covered financial institutions. Community banks are the backbone of America and we plead with you not to erode our ability to serve our communities.

Most Sincerely,



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