BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

LOUISE L. ROSEMAN
DIRECTOR
DIVISION OF
RESERVE BANK OPERATIONS
AND PAYMENT SYSTEMS

August 26, 2010

Ms. Dawn M. Donovan
Chief Executive Officer
Price Chopper Employees Federal Credit Union
404 Princetown Road
Schenectady, New York 12306

Dear Ms. Donovan:

On behalf of Chairman Bernanke, thank you for your August 11 letter regarding the interchange provisions included in the financial regulatory reform legislation. We appreciate your input to our rulemaking implementing this aspect of the legislation.

Sincerely,

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August 11, 2010

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
20th and Constitution, NW
Washington, DC 20551

Dear Chairman Bernanke,

I am writing regarding the interchange provisions included in the regulatory reform legislation which requires the Federal Reserve to set debit interchange fees at a level that is 'reasonable and proportional to the cost incurred by the issuer with respect to the transaction'.

As the CEO of a 20 million dollar credit union, any interchange fee price cap will adversely affect us. Price caps for larger institutions will inevitable result in negative consequences for us. To remain competitive with larger institutions, we offer as many products and services as a large financial institution. However, we do so at a much smaller margin and receive the same interchange fee as a larger institution when the member uses his card. It is expected that MasterCard and VISA will ultimately set the same interchange rate for small institutions that the Federal Reserve mandates for large institutions. Since those rates will be artificially capped, small institutions such as mine will suffer from less interchange income, which is used to offset the cost of offering the debit card program. Operational costs encompass the cost of debit cards themselves, which is over $2.00 per card, plus clearance and settlement fees for the debit transaction, hardware, software, personnel, problem resolution, program implementation, program compliance, postage, card reissues, fraud losses, fraud insurance, fraud resolution and anti-fraud costs. It is simply not just the cost of the card.

Interchange income allows my credit union an offset of cost so we can offer this program, free of charge, to those who are unable to receive this service elsewhere due to failure of meeting the program requirements of another financial institution. If the interchange income is capped and our margin is further shortened on our debit card program, small institutions such as mine will have to find ways to increase that margin. This may result in added costs to the consumer in the way of charging for transactions or an increase in other fees. I don't believe adding costs to consumers was the intent of the regulatory reform legislation.

I know I only represent a very small portion of consumers but credit unions serve those who need the assistance the most. Small credit unions have a purpose and a very distinct one.

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It would be helpful if we could be considered when the Federal Reserve moves forward with drafting this regulation.

I appreciate the time and opportunity to express my concerns.

Sincerely,

Dawn M Donovan

Dawn M. Donovan
CEO

Price Chopper Employees Federal Credit Union
404 Princetown Road Schenectady, NY 12306