**Meeting Between Federal Reserve Staff and**
**Representatives of the Nebraska Bankers Association**
**June 15, 2011**

**Participants**: Governor Sarah Bloom Raskin (Federal Reserve Board member), Zachary Silberman and Natalie Burch (Federal Reserve staff)

**Nebraska Bankers Association members:** Jason Bartling, George Beattie, Timothy Clark, Scott Finney, Patrick Gibbons, Robert Hallstrom, Perry Haralson, Jennifer Heaton, Craig Heskett, Kendell Holthus, Michael Jacobson, Donald Jividen, Joshua Johnson, Richard Johnson, Brent Karnatz, Timothy Keller, Todd Kramer, Clark Lehr, Matthew McNamara, Karen Miller, Kirk Riley, Jeffrey Robertson, Jonathan Rohlfs, Timothy Schlegelmilch, Justin Schwartz, Jason Smith, Marjorie Steever, David Steffensmeier, Joni Sundquist, Matthew Williams, Kyle Wooster, and Karen Yelden

**Summary:** Members of the Nebraska Bankers Association met with Governor Raskin to discuss the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). Association members generally expressed concerns about the Board's proposed rulemaking on debit card interchange fees and routing, including the potential lost revenue for banks, the ineffectiveness of the exemption for smaller banks (those with assets under $10 billion), and the cap on interchange fees. Some Association members also expressed concern that the use of debit cards issued by smaller banks could be curtailed because of efforts by big-box retailers to drive consumers to use lower-cost cards issued by larger institutions. The Association's written comments on these and other regulatory matters under the Dodd-Frank Act are attached.

Attachment

**Nebraska Bankers Association**
**Talking points for Capitol Hill Visits:**

*(Comments related to Board rulemakings under the Dodd-Frank Act are provided below.)*

Price Controls on Debit Card Interchange Fees

- Price controls on interchange rates would impact thousands of financial institutions, resulting in less competition. Interchange fees make it possible for more financial institutions to offer debit and credit cards and enable competition among institutions of all sizes.

- The Durbin amendment to the Dodd-Frank Act requires the Federal Reserve to set "reasonable and proportional" interchange fees on debit cards issued by banks with more than $10 billion in assets. The rule proposed by the Federal Reserve does not consider all of the costs incurred by a bank in providing the service, such as all of the costs for fraud control and prevention, network processing fees, card production and issuance costs, and fixed costs, including capital investments.

- Price fixing below the cost of providing the debit card product will result in banks imposing fees on their customers for issuance of debit cards, or on accounts to replace the lost revenue, or require banks to seriously consider whether they can continue to offer debit cards to their customers.

- Retailers receive many benefits from utilization of debit cards by their customers, including immediate payment for goods or services provided with no risk of loss. Retailers will also receive all the benefits from the reduction of interchange as there is nothing in the Dodd-Frank Act requiring retailers to pass on any savings from reduced debit card interchange fees to their customers.

Regulatory Burdens

- Community banks are already hindered by existing regulatory and compliance burdens. Over 50 new regulations have been imposed upon banks within the last two years. The new regulatory burdens imposed by the Dodd-Frank Act will only serve to limit the ability of community banks to serve the borrowing needs of their customers. The aggregate impact of regulatory burden threatens the viability of smaller community banks that serve the needs of individuals and main street businesses across Nebraska.

Risk Retention

- The so-called "skin in the game" provision would cause substantial harm to many traditional community banks and may take many community banks out of the mortgage origination business.