

From: Jack Ewald
Subject: Regulation Z - Truth in Lending

Comments:

December 21, 2010

Federal Reserve Board

Dear Federal Reserve Board:

My small Credit Union is very concerned with the Federal Reserve Board's recently proposed regulation that would regulate debit card interchange fees and routing. The Fed should implement reasonable interchange regulations that will allow small issuers to continue to be protected from lower interchange fees.

We are concerned that the proposal does not include provisions to enforce the small issuer exemption. We urge the Fed to use its authority to reinforce the small issuer exemption and ensure that it works as Congress intended.

The proposed debit interchange rates also concern us, especially if the establishment and maintenance of a two-tiered structure cannot be assured. The Fed should consider all costs of operating a debit interchange system to the maximum extent allowable by law, including all fraud prevention costs such as the cost of new technology that reduces potential fraud. As our small Credit Union covers many costs of card issuance and reissuance, ATM usage, and other costs that we do NOT pass on to Members, we also urge consideration of such costs for institutions that currently do not pass such costs on to consumers and attempt to provide substantial value to consumers at our own expense. This regulation threatens to cripple our ability to absorb such costs and are likely to therefore raise our Members' cost of using our debit card (will they go to checks; will they go to cash; are either of those in the best interests of ANYONE, particularly the Fed who pushes consistently for a more and more electronic payment system?).

Even if a two-tiered system is permitted and works in practice, small issuers will be disadvantaged if the provisions on routing and exclusivity that allow merchants to choose how debit card transactions are processed are not implemented properly. We are particularly concerned, as a small institution that operates only on one signature network, that we will be forced to buy into additional networks. The idea that we may be forced to purchase additional networks is a far more burdensome imposition of government than even the requirement to re-prioritize the way items are processed on the networks we have now.

Thank you for your time,

Jack Ewald